

ATTACHMENT S
RTO WEST TRANSMISSION OPERATING AGREEMENT

ATTACHMENT S TO SUPPLEMENTAL COMPLIANCE FILING AND REQUEST FOR
DECLARATORY ORDER PURSUANT TO ORDER 2000

<u>RECITALS</u>	1
1. <u>Definition of Terms</u>	2
2. <u>Effective Date; Operations Date(s); Termination</u>	2
2.1 Effective Date	2
2.2 RTO West Operations Dates.....	4
2.3 Termination by the Executing Transmission Owner	4
2.3.1 Termination Without Cause	4
2.3.2 Termination as a Result of RTO West's Breach of this Agreement.....	4
2.4 Requirements Related to Termination.....	4
2.4.1 Replacement of Load Integration Agreements and Generation Integration Agreements.....	4
2.4.2 Service Under Pre-Existing Transmission Agreements	5
2.5 Preservation of Obligations.....	5
2.6 Agreements of Third Parties with RTO West For Use of the Transmission Facilities	6
3. <u>Additional Participating Transmission Owners</u>	7
3.1 Execution of Additional RTO West Transmission Operating Agreements	7
3.2 Challenges to Additional Transmission Control Agreements	7
3.2.1 Notice to Executing Transmission Owner	7
3.2.2 Objections by Executing Transmission Owner	7
3.2.3 Dispute Resolution; Execution of New Agreement or Amendment	7
3.3 Most Favored Nation Option	8
4. <u>Integration and Physical Interconnection</u>	8
4.1 Integration	8
4.2 Physical Interconnection	9
4.2.1 Executing Transmission Owner's Obligation to Permit New Physical Interconnections.....	9
4.2.2 RTO West's Right to Compel Expedited Dispute Resolution in Cases of Delay or Impasse.....	10
4.3 Pre-Existing Generation Interconnections	12
4.3.1 Replacement of Interconnection Provisions with a GIA	12

4.3.2	Negotiation of Instructions for Access to RTO West Transmission System	12
4.3.3	RTO West's Right to Compel Expedited Dispute Resolution in Cases of Delay or Impasse	12
5.	<u>RTO West's Provision of Transmission Services</u>	13
5.1	RTO West's Operational Control of Transmission Facilities	13
5.1.1	Initial RTO West Controlled Transmission Facilities	13
5.1.2	Additional RTO West Controlled Transmission Facilities	14
5.1.3	Other Transmission Facilities	14
5.2	Obligation of Executing Transmission Owner to Maintain Transfer Capability of the RTO Controlled Transmission Facilities	14
5.2.1	Pre-Existing Rights and Obligations	15
5.2.2	Restoration of Other Transfer Capability	15
5.2.3	RTO West Costs of Maintaining Transfer Capability	16
5.3	Commencement of Transmission Service	16
5.3.1	Transmission Service Comprehensive Plan	16
5.3.2	Notice of the Transmission Service Commencement Date	17
5.4	RTO West's Exclusive Right and Obligation to Provide Transmission Services over the Transmission Facilities	17
5.4.1	Transmission Service Provided by RTO West	17
5.4.2	Transmission Service Conversion Provisions of Certain Pre- Existing Transmission Agreements	18
5.4.3	Modification of Executing Transmission Owner's Open Access Transmission Tariff	18
5.4.4	Transmission Service Agreements After the Transmission Service Commencement Date	19
5.5	RTO West's Provision of Transmission Services over Electric Systems	19
5.6	Control and Operation of RTO West Control Area	21
5.7	RTO West's Other Duties as a Transmission Service Provider	22
5.7.1	Transmission Tariffs	22
5.7.2	Transmission Service Requests	22
5.7.3	Relief of Transmission Service Obligation of the Executing Transmission Owner	22

5.7.4	Transmission Scheduling	23
5.7.5	RTO West Website Requirements	23
5.7.6	Generator Compliance with Curtailment and Redispatch Orders	23
5.7.7	Regulatory Compliance	23
5.7.8	Accounting, Data Storage and Billing.....	23
5.7.9	Control Centers.....	24
5.8	Executing Transmission Owner’s Operation of its Transmission Facilities ..	24
5.8.1	Control Center	24
5.8.2	Switching Orders and Clearances	24
5.8.3	Log Maintenance.....	24
5.8.4	RTO West Transmission System Monitoring and Security.....	24
5.8.5	Maintenance Outages	25
5.8.6	RTO West Transmission System Security.....	25
5.8.7	RTO West Transmission System Reliability	25
5.8.8	Restoration of RTO West Controlled Transmission Facilities	25
5.8.9	RTO West Controlled Transmission System Restoration	26
5.9	Compliance with Standards of Conduct.....	26
5.10	Security Coordinator	26
5.11	<i>Regulatory Criteria</i>	27
6.	<u>Pre-Existing Transmission Agreements</u>	27
6.1	Pre-Existing Transmission Agreements Among Initial Participating Transmission Owners	27
6.2	Pre-Existing Transmission Agreements with Additional Participating Transmission Owners	27
6.3	Non-Converted Transmission Agreements with Non-RTO West Parties	28
7.	<u>Ancillary Services</u>	29
7.1	Provision of Ancillary Services by RTO West	29
7.2	Ancillary Service Tariffs	30
7.3	Provision of Ancillary Services by the Executing Transmission Owner	30
7.3.1	Right of the Executing Transmission Owner to Provide Ancillary Services.....	30

7.3.2	Assuring RTO West Responsibility to Provide Ancillary Services.....	30
7.3.3	BackUp Provision of Ancillary Services by the Executing Transmission Owner to RTO West	31
7.4	RTO West’s Facilitation of External Ancillary Services Market.....	31
8.	<u>Performance Plans and Performance Standards</u>	32
8.1	Performance Plans	32
8.2	Performance Plan Disputes	32
8.3	<i>Annual Performance Standards</i>	33
8.4	Annual Report	33
9.	<u>RTO West Critical Control Facilities</u>	33
9.1	Designation of RTO West Critical Control Facilities	33
9.2	Operation and Maintenance	34
9.3	Existing Remedial Action Schemes	35
9.4	Compensation for Remedial Action Schemes.....	35
10.	<u>RTO West Compliance and Coordination Standards</u>	36
10.1	Compliance with Regulatory Requirements	36
10.2	Regional Transmission Coordination	36
11.	<u>Support of Upgrade and Expansion of Transmission Facilities</u>	37
11.1	Support of Upgrade and Expansion of Transmission Facilities	37
11.1.1	Interconnection	37
11.1.2	Cooperation	38
11.1.3	Exercise of Eminent Domain Authority.....	38
11.2	RTO West’s Remedy	39
11.3	Expansion of Transmission Facilities.....	39
12.	<u>Planning</u>	40
12.1	Planning Function	40
12.1.1	RTO Planning Responsibility	40
12.1.2	Planning by the Executing Transmission Owner.....	40
12.2	Lists of Proposed RTO West Transmission System Additions.....	41
13.	<u>Executing Transmission Owner’s Rate Schedule</u>	41
13.1	Executing Transmission Owner’s Rate Schedule	41

13.1.1	Company Rate Period Rate Schedules.....	41
13.1.2	Post-Company Rate Period Rate Schedules.....	41
13.2	Initial and Revised Rates.....	42
13.3	Incentive Rate Making	43
13.4	Recovery of Stranded Costs	43
13.5	Annual Reporting Requirements.....	45
14.	<u>RTO West's Rate Schedules</u>	45
14.1	Initial and Revised Rates.....	45
14.2	RTO West's Rates During the Company Rate Period.	47
14.2.1	Rates Charged to Company Loads.....	47
14.2.2	Calculation of Company Rates	48
14.2.3	<i>Payment Agent</i>	48
14.2.4	Agreement to Suspend Provisions of Pre-Existing Transmission Agreements and Payment Agent Agreement	49
14.3	Lost Revenue Recovery	49
14.4	Costs Inconsistent with FERC Standards	49
14.5	Costs of Loss of Tax-Exempt Status of Existing Tax-Exempt Bonds	50
14.5.1	Avoidance or Mitigation of Damages.....	50
14.5.2	Costs Recoverable From Transmission Facility Loads	50
14.5.3	Costs Recoverable Without Regard to the Provisions of Section 15.4.2.....	51
15.	<u>Transmission Rights on Flowpaths</u>	52
15.1	Rights Granted	53
15.1.1	Firm Transmission Rights.....	53
15.1.2	Non-Converted Rights	53
15.1.3	Remaining Capacity.....	53
15.1.4	Documentation of Rights.....	53
15.2	Term and Level of Firm Rights	54
15.2.1	Load Service Obligations	54
15.2.2	Conversion to Firm Transmission Rights Based on Feasible Dispatch	54
15.2.3	Rollover of Pre-Existing Transmission Agreements.....	55

15.3	Pro-Ration of Firm Transmission Rights After Initial Allocation	55
15.4	Equal Treatment of Non-Converted and Firm Transmission Rights	56
16.	<u>Records, Information Sharing and Audits</u>	56
16.1	Records Relevant to Operation of the RTO West Transmission System	56
16.2	<i>Audit of RTO West Records</i>	56
16.3	<i>Notice of Claim of Non-Compliance by RTO West</i>	56
16.4	Executing Transmission Owner Records and Information Sharing.....	57
16.4.1	Records.....	57
16.4.2	Required Reports	57
16.4.3	Other Reports.....	57
17.	<u>Insurance, Indemnification and Limitation of Liability</u>	58
18.	<u>Dispute Resolution</u>	58
18.1	Matters Subject to Dispute Resolution	58
18.2	Preconditions to Arbitration	58
18.2.1	Informal Settlement	58
18.2.2	Impasse.....	59
18.2.3	Statements of Dispute	59
18.2.4	Selection of an Arbitrator	60
18.2.5	Party Option to Obtain Three Arbitrator Panel.....	61
18.2.6	Procedural Rules	62
18.2.7	Intervention	62
18.2.8	Evidence	63
18.3	Substantive Standards and Decision	63
18.4	Compliance and Costs	64
18.4.1	Compliance With the Arbitrator's Award	64
18.4.2	Effect of Award	65
18.5	Appeal in the United States of America	65
18.5.1	Grounds for Appeal	65
18.5.2	No Expansion of Factual Record	66
18.6	Canadian Review of Arbitration Awards	66
18.6.1	Canadian Facilities.....	66

18.6.2	Canadian Appeal.....	66
18.6.3	Canadian Appeal Record	67
18.6.4	Canadian Appeal Proceeding.....	67
18.6.5	Review on Initiative of Canadian Regulatory Authority	68
18.7	Judicial Enforcement.....	69
19.	<u>Uncontrollable Force</u>	69
20.	<u>Assignments and Conveyances</u>	70
20.1	Successors and Assigns	70
20.2	Assignment of RTO West’s Rights and Obligations.....	70
20.3	Assignment of the Executing Transmission Owner’s Rights and Obligations.....	70
20.4	Transfer of Transmission Facilities.....	71
20.5	Assignment for Security Purposes.....	71
20.6	Effect of Permitted Assignment	72
20.7	Consent Not Unreasonably Denied or Delayed	72
21.	<u>RTO West's Confidentiality Obligations</u>	73
21.1	Protection of Confidential Information	73
21.2	Disclosure Pursuant to Administrative or Judicial Order	73
22.	<u>Open Architecture</u>	73
23.	<u>Miscellaneous</u>	74
23.1	Notices	74
23.1.1	Permitted Methods of Notice	74
23.1.2	Change of Notice Address	75
23.1.3	Routine Notices.....	75
23.2	Amendment	75
23.3	Construction of Agreement.....	76
23.4	Integration	76
23.5	Existing Agreements Preserved	76
23.6	Governing Law.....	76
23.7	Severability	76
23.8	<i>Equitable Relief</i>	77
23.9	Singular and Plural; Use of “Or”	77

23.10	Headings for Convenience Only	78
23.11	Relationship of the Parties	78
23.11.1	No Partnership, Etc	78
23.11.2	Rights Several.....	78
23.12	No Third Party Beneficiaries	78
23.13	No Dedication of Facilities.....	78
23.14	Non-Waiver	79
23.15	Exhibits Incorporated.....	79
23.16	Further Actions and Documents.....	79
23.17	Counterparts	79
23.18	Governing Agreement	79
24.	<u>Retail Power Deliveries on Transmission Facilities</u> [OPTIONAL LANGUAGE IF ELECTED BY THE EXECUTING TRANSMISSION OWNER]	80

Exhibit A -- Schedule of Definitions

Exhibit B -- Transmission Facilities

Exhibit C -- Pre-Existing Transmission Agreements

Exhibit D -- RTO West Controlled Transmission Facilities

Exhibit E -- RTO West Critical Control Facilities

Exhibit F -- Firm Transmission Rights

Exhibit G -- Company Rates

Exhibit H -- Annual Transfer Charge Amounts

Exhibit I -- Form of Agreement To Suspend Provisions of Pre-Existing Transmission Agreements

Exhibit J -- Form of Paying Agent Agreement

Exhibit K -- Form of Agreement Limiting Liability Among RTO West Participants

RTO WEST TRANSMISSION OPERATING AGREEMENT

[Note: Provisions shown in italics were added at the request of the Bonneville Power Administration ("Bonneville"), in order to assure that Bonneville would have authority to execute and perform this agreement under existing law.]

This Agreement, dated as of _____, 2001, is by and between RTO West, a Washington nonprofit corporation, and _____, a _____ (the "Executing Transmission Owner"). RTO West and the Executing Transmission Owner each shall be referred to as a "Party" and collectively will be referred to as the "Parties."

RECITALS

WHEREAS, along with the Executing Transmission Owner, the following Initial Participating Transmission Owners are executing Transmission Operating Agreements with the same effective date as this Agreement:

_____ ; and

WHEREAS, each of the Initial Participating Transmission Owners own and operate electric transmission systems that are used for the interstate transmission of electric power and energy; and

WHEREAS, each of the Initial Participating Transmission Owners own and operate transmission systems that are directly or indirectly interconnected with the transmission systems of each of the other Initial Participating Transmission Owners; and

WHEREAS, the FERC in Order 2000 in Docket No. RM99-2-000 and 18 CFR § 35.34 set out characteristics and functions for regional transmission organizations and required every public utility that owns, operates or controls facilities used for the transmission of electric energy in interstate commerce to file with the FERC no later than October 15, 2000, a proposal to participate in a regional transmission organization or an alternative filing as set out in 18 CFR § 35.34; and

WHEREAS, RTO West intends to develop and implement rates as set out in Section 14 to recover revenues adequate to meet the annual revenue requirements of the Participating Transmission Owners;

NOW, THEREFORE, in consideration of the mutual benefits to the Parties and the benefits set forth in the recitals above, the Parties agree as follows:

1. Definition of Terms.

Capitalized terms in this Agreement have the meaning set out in the Schedule of Definitions set out as Exhibit A to this Agreement.

2. Effective Date; Operations Date(s); Termination.

2.1 Effective Date. This Agreement shall become effective upon the acceptance for filing, confirmation or approval by FERC of this Agreement as executed and of any other agreement entered into concurrently with this Agreement and related to participation in RTO West, without change unacceptable to either Party [, **provided that this Agreement shall not be effective until the Rural Utilities Service also has approved the execution of this Agreement by the Executing Transmission Owner (only for Transmission Operating Agreements of Executing Transmission Owners that have loans outstanding from the Rural Utilities**

Service)]. If FERC's acceptance for filing or confirmation and approval of this Agreement as executed or of any other related agreement as executed that the Executing Transmission Owner is to enter into concurrently with this Agreement is, as a result of rehearing or judicial review thereof, subsequently revised or modified in a manner unacceptable to either Party, this Agreement shall be deemed void ab initio. Any such revision or modification of this Agreement shall be deemed unacceptable to a Party only if that Party provides notice to the other Party within thirty (30) calendar days of issuance of the applicable FERC action or judicial order that such action or order is unacceptable. RTO West promptly shall provide further notice to the Executing Transmission Owner if RTO West or the party to any other Transmission Operating Agreement or related agreement executed by an Initial Participating Transmission Owner provides notice of termination of a Transmission Operating Agreement based on the revision or modification of such agreement as a result of FERC's acceptance for filing, confirmation, or approval of such agreement or as a result of rehearing or judicial review thereof. By notice given to RTO West within fifteen (15) calendar days of receipt of such notice from RTO West, the Executing Transmission Owner may terminate this Agreement and thereby render it void ab initio.

2.2 RTO West Operations Dates. RTO West shall exercise all reasonable efforts to provide all Transmission Services on or before _____.

2.3 Termination by the Executing Transmission Owner.

2.3.1 Termination Without Cause. The Executing Transmission Owner may terminate this Agreement for any reason upon two (2) years' prior written notice.

2.3.2 Termination as a Result of RTO West's Breach of this Agreement. *If RTO West is not complying with its obligations to the Executing Transmission Owner under this Agreement, the Executing Transmission Owner may demand that RTO West take appropriate corrective action. In the event that RTO West does not provide adequate assurance that it will take appropriate corrective action, and then take such action within a reasonable time, the Executing Transmission Owner may immediately terminate this Agreement. This right to terminate shall be in addition to, and not in lieu of, any other remedies the Executing Transmission Owner may have and is not subject to Dispute Resolution.*

2.4 Requirements Related to Termination.

2.4.1 Replacement of Load Integration Agreements and Generation Integration Agreements. Prior to, and as a condition of, termination under Section 2, the Executing Transmission Owner shall have negotiated in good faith and shall have offered a replacement integration agreement with each entity that has a Generation Integration Agreement or a Load Integration Agreement with RTO West and that is interconnected with the Executing Transmission Owner's Electric System. Such replacement integration agreement shall have terms and conditions comparable to the terms and conditions of the form of Generation Integration Agreement or Load Integration Agreement executed by such entity.

2.4.2 Service Under Pre-Existing Transmission Agreements. Concurrently with execution of this Agreement, the Executing Transmission Owner has executed an Agreement to Suspend Provisions of Pre-Existing Transmission Agreements. Subsequently, as set out in Sections 6.2 and 6.3, the Executing Transmission Owner may execute other agreements suspending the provisions of additional Pre-Existing Transmission Agreements.

Upon termination of this Agreement by the Executing Transmission Owner, the rights and obligations of the Executing Transmission Owner under such Pre-Existing Transmission Agreements shall recommence, as provided in the agreements suspending provisions of Pre-Existing Transmission Agreements. However, all suspended provisions of Pre-Existing Transmission Agreements that relate to the provision of services to the Executing Transmission Owner, and all rights and obligations of the Executing Transmission Owner with respect to such services, shall remain suspended for so long as RTO West remains able to provide the suspended service.

2.5 Preservation of Obligations. Upon termination of this Agreement, all unsatisfied obligations of each Party incurred under this Agreement shall be preserved until satisfied. In addition, if other Participating Transmission Owners, whose transmission facilities serve loads that would provide one-half or more of RTO West's remaining revenues upon termination of the Executing Transmission Owner, give notice of their intent to terminate from their Transmission Operating Agreement, with such termination to be within one (1) year before or after the Executing Transmission Owner's termination, the obligations of the Executing Transmission Owner following its termination also shall include a share of RTO West's net costs, if any, of terminating RTO West's operations and winding up its corporate existence, if RTO West is dissolved. The Executing Transmission Owner's share of such net costs (including of any portion of the net costs not collectable from other Participating Transmission Owners) shall equal the ratio of the Company Costs or other rates, charges or fees established by the Executing Transmission Owner for use of the Transmission Facilities pursuant to Section 13 of this Agreement to the total of the Company Rates or other rates, charges or fees so established by

all Participating Transmission Owners from whom RTO West is able to collect payments assessed for its costs of terminating operations and winding up.

2.6 Agreements of Third Parties with RTO West For Use of the Transmission Facilities. After termination of this Agreement, the Executing Transmission Owner shall provide to RTO West such transmission services over the Transmission Facilities as are needed for RTO West to provide all continuing Transmission Service required by agreements entered between RTO West and third parties pursuant to the RTO West Tariff between the Transmission Service Commencement Date and the date the termination of this Agreement became effective. RTO West shall pay to the Executing Transmission Owner as compensation for such transmission services an amount equal to the compensation the Executing Transmission Owner would have received in connection with such third party service if this Agreement had remained in effect.

3. Additional Participating Transmission Owners.

3.1 Execution of Additional RTO West Transmission Operating Agreements. RTO West may execute additional Transmission Operating Agreements, subject to the right of the Executing Transmission Owner to challenge such execution or the terms of such agreements as provided in Section 3.2.

3.2 Challenges to Additional Transmission Operating Agreements.

3.2.1 Notice to Executing Transmission Owner. RTO West shall provide the Executing Transmission Owner thirty (30) days notice of RTO West's intention to enter into (1) any Transmission Operating Agreement (other than the Transmission Operating Agreements with the Initial Participating Transmission Owners) or (2) any amendment to any Transmission

Operating Agreement. RTO West shall provide with such notice a complete copy of such agreement or amendment, including any related exhibits.

3.2.2 Objections by Executing Transmission Owner. By notice to RTO West, delivered within thirty (30) calendar days of receipt of RTO West's notice specified in Section 3.2.1, the Executing Transmission Owner may object to such agreement or amendment, but only on the following grounds: (1) that RTO West's compliance with the requirements of such agreement or amendment will violate the terms of this Agreement or (2) that such agreement or amendment may impair rights granted under this Agreement.

3.2.3 Dispute Resolution; Execution of New Agreement or Amendment. Any objection raised by the Executing Transmission Owner pursuant to Section 3.2.2 shall be subject to Dispute Resolution. The agreement or amendment shall not be executed by RTO West until the later of (1) thirty-five (35) calendar days after the notice is given to the Executing Transmission Owner pursuant to Section 3.2.1, if the Executing Transmission Owner does not provide notice of objection pursuant to Section 3.2.2, or (2) if notice of objection is given by the Executing Transmission Owner, after conclusion of the Dispute Resolution, with a determination that the objections to the agreement or amendment are unfounded or have been resolved.

3.3 Most Favored Nation Option. If a Transmission Operating Agreement entered into subsequent to the date of this Agreement or an amendment to an existing Transmission Operating Agreement contains terms that differ from the provisions contained in this Agreement, other than as necessary to accommodate differences between the Executing Transmission Owner and the other affected Participating Transmission Owner (with the fact that the Participating Transmission Owner signed its Transmission Operating Agreement at a later time than the

Executing Transmission Owner not being such a permissible difference), RTO West agrees at the Executing Transmission Owner's request to amend this Agreement to incorporate terms that are comparably favorable to such different terms.

4. Integration and Physical Interconnection.

4.1 Integration. Integration of the RTO West Transmission System with any electric generation units, loads and other transmission and distribution facilities controlled by the Executing Transmission Owner (other than the Transmission Facilities) shall be as provided for in the Generation Integration Agreement and Load Integration Agreement executed by RTO West and the Executing Transmission Owner concurrently with execution of this Agreement, which agreements are the same as the standard forms for such agreements as are attached as service agreements to the RTO West Tariff.

4.2 Physical Interconnection.

4.2.1 Executing Transmission Owner's Obligation to Permit New Physical Interconnections. The Executing Transmission Owner shall permit any new physical interconnections with the Electric System of the Executing Transmission Owner, requested by an Electric Utility to serve its new or existing loads or by a Generation Owner seeking to interconnect new or existing electric generation facilities, subject only to (1) reasonable terms and conditions (including payment by the third party of the cost of such interconnection) relating to such physical interconnection; (2) receipt of all necessary approvals from federal, state, tribal and local authorities having jurisdiction in the matter; and (3) compliance with any applicable environmental assessment, planning and reliability requirements. *Nothing herein shall be interpreted to prohibit the Executing Transmission Owner from adopting a no-action*

alternative under applicable environmental law, provided that any such decision shall be subject to Dispute Resolution as provided herein. The Executing Transmission Owner's interconnection standards shall apply to the RTO West Controlled Transmission Facilities unless and until modified by RTO West, provided that any such modifications shall comply with applicable NERC and WSCC reliability and safety standards. RTO West agrees to take necessary actions to protect the Executing Transmission Owner's Electric System in the event of the failure of the interconnecting party to comply with any such requirements. The Executing Transmission Owner shall reasonably cooperate with such Electric Utility or Generation Owner that requests any new physical interconnection with the Electric System to (1) reach a mutually acceptable agreement governing the construction, financing, ownership, maintenance, operation and other pertinent obligations relating to any such physical interconnection; (2) obtain necessary approvals from federal, state, tribal and local authorities having jurisdiction in the matter; and (3) comply with applicable environmental assessment, planning and reliability requirements.

4.2.2 RTO West's Right To Compel Expedited Dispute Resolution in Cases of Delay or Impasse. If, within sixty (60) calendar days following an Electric Utility's or Generation Owner's request for any new physical interconnection with the Electric System of the Executing Transmission Owner (or such extended period as agreed by the Executing Transmission Owner and such other party or as necessary to comply with applicable environmental requirements or to obtain necessary approvals from federal, state, tribal and local authorities having jurisdiction in the matter), the Executing Transmission Owner and the requesting party have not reached a mutually acceptable agreement with respect to such physical interconnection, RTO West shall have the right to require the Executing Transmission Owner to

participate in an expedited Dispute Resolution process with the requesting party to resolve any disputes concerning appropriate terms and conditions governing such physical interconnection. The expedited Dispute Resolution process shall be the same as the Dispute Resolution process set forth in Section 18 of this Agreement with the following modifications: (1) Section 18.2.1 shall not apply; (2) Section 18.2.2 shall not apply except as to RTO West's obligation to post the commencement of the Dispute Resolution process on the RTO West Web Site; (3) each of the Executing Transmission Owner and the requesting party shall, within ten (10) calendar days of the selection of the arbitrator, submit to the arbitrator its proposed contract language concerning the issues in dispute; and (iv) the arbitrator shall specify the applicable interconnection agreement terms within thirty (30) calendar days of receiving both parties' submissions. The arbitrator shall be instructed to accept the Executing Transmission Owner's proposed terms for interconnection with RTO West Controlled Transmission Facilities if such terms either (1)(i) are reasonable, (ii) are not contrary to requirements of the FERC, (iii) do not conflict with the terms of any Generation Integration Agreement or Load Integration Agreement the requesting third party will be expected to execute, (iv) are not in conflict with interconnection standards adopted by the RTO West board of directors and (v) are not unreasonably discriminatory or preferential with respect to the Executing Transmission Owner's other comparable interconnection agreements or (2) are required pursuant to the interconnection standards adopted by RTO West. The arbitrator shall be instructed to accept the Executing Transmission Owner's proposed terms for interconnection with Electric System facilities other than RTO West Controlled Transmission Facilities if such terms (1) are reasonable, (2) are not contrary to requirements of the FERC, (3) do not conflict with the terms of any Generation Integration Agreement or Load Integration

Agreement the requesting third party will be expected to execute and (4) are not unreasonably discriminatory or preferential with respect to the Executing Transmission Owner's other comparable interconnection agreements. The arbitrator shall be further instructed that there is no requirement for the interconnection agreement terms of the various Participating Transmission Owners to be uniform among the various Participating Transmission Owners, as long as the proposed interconnection agreement terms meet the above standards.

4.3 Pre-Existing Generation Interconnections.

4.3.1 Replacement of Interconnection Provisions with a Generation

Integration Agreement. Upon request by any Generation Owner interconnected with the Electric System of the Executing Transmission Owner, the Executing Transmission Owner will negotiate in good faith so as to allow replacement of the integration provisions of any agreement between the Executing Transmission Owner and a Generation Owner with a Generation Integration Agreement between the Generation Owner and RTO West. Neither the Executing Transmission Owner nor the Generation Owner shall be required to surrender any pre-existing contract rights.

4.3.2 Negotiation of Instructions for Access to RTO West Transmission

System. As an alternative to negotiation under Section 4.3.1 or upon failure of such negotiations to reach agreement, any Generation Owner may request the Executing Transmission Owner to negotiate instructions to RTO West, consistent with any agreement for generation facility interconnection and integration between the Executing Transmission Owner and the Generation Owner, to govern access of the Generation Owner to the RTO West Transmission System, and the Executing Transmission Owner shall negotiate such instructions in good faith.

4.3.3 RTO West's Right To Compel Expedited Dispute Resolution in Cases of Delay or Impasse. If, within sixty (60) calendar days after a Generation Owner's request pursuant to Section 4.3.2 to negotiate with the Executing Transmission Owner instructions to govern access to the RTO West Transmission System (or such extended period as agreed by the Executing Transmission Owner and the Generation Owner), the Executing Transmission Owner and the requesting Generation Owner have not presented mutually acceptable instructions to RTO West, RTO West shall have the right to require the Executing Transmission Owner to participate in an expedited Dispute Resolution process with the requesting Generation Owner to resolve any disputes concerning such instructions. The expedited Dispute Resolution process shall be the same as the Dispute Resolution process set forth in Section 18 of this Agreement with the following modifications: (1) Section 18.2.1 shall not apply; (2) Section 18.2.2 shall not apply except as to RTO West's obligation to post on the RTO West Web Site the commencement of the Dispute Resolution process; (3) both the Executing Transmission Owner and the Generation Owner shall, and also RTO West if it so elects, within ten (10) calendar days of the selection of the arbitrator, submit to the arbitrator their proposed instructions; and (4) the arbitrator shall determine the appropriate instructions, consistent with the provisions of the generation facility interconnection and integration agreement.

5. RTO West's Provision of Transmission Services.

5.1 RTO West's Operational Control of Transmission Facilities.

5.1.1 Initial RTO West Controlled Transmission Facilities. The Executing Transmission Owner has included all of its RTO West Controlled Transmission Facilities in

Exhibits B and D. On and after the Transmission Service Commencement Date RTO West shall exercise Operational Control over all RTO West Controlled Transmission Facilities.

5.1.2 Additional RTO West Controlled Transmission Facilities. If (1) the Executing Transmission Owner constructs, purchases or otherwise acquires additional transmission facilities that meets the definition of RTO West Controlled Transmission Facilities or (2) as a result of new transmission facility upgrade or interconnection, or other factors, additional transmission facilities of the Executing Transmission Owner come to meet the definition of RTO West Controlled Transmission Facilities, upon the request of RTO West (which request may be contested through Dispute Resolution) or an order by the FERC, the Executing Transmission Owner shall amend Exhibits B and D (subject to FERC review as applicable) to include such newly acquired or defined facilities as additional RTO West Controlled Transmission Facilities.

5.1.3 Other Transmission Facilities. The Executing Transmission Owner, however, may from time to time at its election add to or remove from Exhibit B Transmission Facilities that are not RTO West Controlled Transmission Facilities, as identified in Exhibit D. As provided in Section 5.4, RTO West shall provide Transmission Services over such additional Transmission Facilities included in Exhibit B but shall not exercise Operational Control over any such added Transmission Facilities.

5.2 Obligation of Executing Transmission Owner to Maintain Transfer Capability of the RTO West Controlled Transmission Facilities. On and after the Transmission Service Commencement Date, the Executing Transmission Owner shall maintain the transfer capability of the RTO West Controlled Transmission Facilities, as follows:

5.2.1 Pre-Existing Rights and Obligations. The Executing Transmission Owner shall maintain such transfer capability of the RTO West Controlled Transmission Facilities as is required to satisfy all firm rights to use such facilities that the Executing Transmission Owner has granted to its merchant function or to any third party and that as of the Transmission Service Commencement Date continue to be held either as Firm Transmission Rights or as rights in a Non-Converted Transmission Agreement; provided that the Executing Transmission Owner and the holder of such Firm Transmission Rights or rights under a Non-Converted Transmission Agreement may agree that such Firm Transmission Rights or Non-Converted Transmission Agreement need not be maintained; and provided further that if a reduction in transfer capability results from events outside of the Executing Transmission Owner's control, the obligation of the Executing Transmission Owner to maintain transfer capability (by redispatch of electric generation facilities or other means) shall be determined by the terms of the applicable Pre-Existing Transmission Agreement on which the Firm Transmission Rights were based or by the terms of the applicable Non-Converted Transmission Agreement.

5.2.2 Restoration of Other Transfer Capability. In the event of a reduction in the total transfer capability of RTO West Controlled Transmission Facilities as available immediately prior to the Transmission Service Commencement Date, RTO West shall determine the extent to which restoration of such transfer capability is needed in order to meet Transmission Service commitments in existence at the time of such reduction, other than those described in Section 5.2.1, and the Executing Transmission Owner shall restore such reduced transfer capability (by redispatch of electric generation facilities or other means) within a

commercially reasonable period, to the extent needed to meet such commitments. RTO West shall use all reasonable efforts to make any changes in reliability criteria that would derate the RTO West Controlled Transmission Facilities effective only after expiration of Firm Transmission Rights sold in any previous RTO West auction.

5.2.3 RTO West's Costs of Maintaining Transfer Capability. If the Executing Transmission Owner fails to restore transfer capability within a commercially reasonable period as required under this Section 5.2, RTO West shall be entitled to take such actions as are needed to maintain such transfer capability and, notwithstanding the Company Rate provisions of Section 14, shall be entitled to recover the costs of such actions as an additional charge imposed on the Company Loads (and on Transfer Charges to the extent adjusted pursuant to the Transfer Charge Agreement provisions of Exhibit H) of the Executing Transmission Owner.

5.3 Commencement of Transmission Service.

5.3.1 Transmission Service Comprehensive Plan. RTO West shall provide the Executing Transmission Owner at least six (6) months prior to its Transmission Service Commencement Date a comprehensive plan, which shall include a full description of the actions required of RTO West and of all Participating Transmission Owners to effect an orderly, safe and reliable transfer of Transmission Service functions. RTO West may provide in such comprehensive plan for it to become the single NERC-certified Control Area operator for the United States portion of the RTO West Transmission System. RTO West may require the Participating Transmission Owners to participate in a period of concurrent operation of Transmission Service functions and shall notify the Executing Transmission Owner when the

period of concurrent operation will end. Any dispute concerning the adequacy or workability of such comprehensive plan shall be subject to Dispute Resolution.

5.3.2 Notice of the Transmission Service Commencement Date. RTO West shall provide the Executing Transmission Owner with at least ninety (90) calendar day's notice of the specific Transmission Service Commencement Date.

5.4 RTO West's Exclusive Right and Obligation To Provide Transmission Services over the Transmission Facilities.

5.4.1 Transmission Service Provided by RTO West. On and after the Transmission Service Commencement Date, RTO West shall have the exclusive right and obligation pursuant to the terms of the RTO West Tariff to provide to Eligible Customers all Transmission Services over the Transmission Facilities specified in Exhibit B, including all (1) Transmission Services required by the Executing Transmission Owner and using the Transmission Facilities, (2) Transmission Services needed for the Executing Transmission Owner to satisfy its obligations under Non-Converted Transmission Agreements that remain in effect (and are not suspended) on and after the Transmission Service Commencement Date, (3) Transmission Services required pursuant to Firm Transmission Rights granted to entities that have agreed to suspend rights and obligations under Pre-Existing Transmission Agreements, and (4) Transmission Services using the Transmission Facilities that are requested by other third-party Eligible Customers.

5.4.2 Transmission Service Conversion Provisions of Certain Pre-Existing Transmission Agreements. The Executing Transmission Owner shall provide in all Pre-Existing Transmission Agreements with Eligible Customers executed after September 30, 2001,

a right exercisable by either party to such Transmission Agreement or by RTO West, to replace such service with Transmission Service from RTO West by (1) and requiring payment to the Executing Transmission Owner of Company Rates or Transfer Charges in place of charges as specified in such Transmission Agreements and (2) providing the Eligible Customers with Firm Transmission Rights on terms comparable to those Firm Transmission Rights granted to holders of other converted Pre-Existing Transmission Agreements.

5.4.3 Modification of Executing Transmission Owner's Open Access

Transmission Tariff. In order to protect the ability of RTO West to implement workable congestion management for the RTO West Controlled Transmission System, the Executing Transmission Owner shall seek approval from the appropriate regulatory authorities, if any, to modify, and upon receipt of required approval shall modify, its open access transmission tariff to provide to holders of Pre-Existing Transmission Agreements a one-time opportunity prior to the Transmission Service Commencement Date to exercise Rollover Rights under such tariff with respect to such Pre-Existing Transmission Agreements by extending the term of such Pre-Existing Transmission Agreements subject to available transmission capacity. After such opportunity has passed, the Rollover Rights shall be extinguished; provided, that the Executing Transmission Owner is not required hereby to seek such modification with respect to Pre-Existing Transmission Agreements required to provide an adequate power supply to loads served from the Electric Systems of the Participating Transmission Owners. The Executing Transmission Owner also is not required hereby to seek any change in rollover rights explicitly granted in Pre-Existing Transmission Agreements executed prior to the date of this Agreement.

5.4.4 Transmission Agreements After the Transmission Service

Commencement Date. The Executing Transmission Owner shall not, unless so ordered by the FERC or a court of competent jurisdiction, enter into any Transmission Agreements for use of the Transmission Facilities after the Transmission Service Commencement Date.

5.5 RTO West's Provision of Transmission Services over Electric Systems. On and after the Transmission Service Commencement Date, RTO West shall have the exclusive right and obligation pursuant to the terms of the RTO West Tariff to provide all Transmission Services needed to transmit power that also will be transmitted over the RTO West Transmission System (1) from generation facilities interconnected with the Electric System of the Executing Transmission Owner (whether or not such interconnection is with the Transmission Facilities) and (2) to Electric Utilities interconnected with the Electric System of the Executing Transmission Owner (whether or not such interconnection is with the Transmission Facilities). The provision of such Transmission Services by RTO West shall not affect the right of the Executing Transmission Owner to charge and collect any lawfully imposed additional charges for use of any of its Electric System facilities other than Transmission Facilities. RTO West and the Executing Transmission Owner shall cooperate as necessary to assure provision of Transmission Service on portions of the Electric System of the Executing Transmission Owner that are not Transmission Facilities.

[For Bonneville Power Administration's Transmission Operating Agreement only: In the event that for any reason all requests for Transmission Services cannot be accommodated, and subject to the rights accorded holders of Firm Transmission Rights and to the rights contained in any Non-Converted Transmission Agreements, and to the extent required by then

*applicable law, requests for use of the Transmission Facilities (1) to serve loads within the Pacific Northwest or (2) to meet the requirements of Section 9(i)(3) of the Northwest Power Act shall receive preference in accordance with applicable federal law. RTO West also shall assure that all Transmission Service necessary to meet all of the Executing Transmission Owner's electric power delivery requirements under any treaty of the United States is provided over the Transmission Facilities. If the Executing Transmission Owner deems that deliveries over the Transmission Facilities required hereunder are not being made by RTO West, the Executing Transmission Owner may direct RTO West to make such deliveries over the Transmission Facilities. These service preferences and delivery obligations, however, shall not relieve the Executing Transmission Owner, the provider of any Northwest regional loads or the owner of any generation resources of any RTO West requirement to acquire Firm Transmission Rights or other rights as specified in the RTO West Tariff and needed to assure the receipt of Transmission Services on a firm basis. In addition, if directed by the Executing Transmission Owner to make deliveries over the Transmission Facilities as provided hereunder, RTO West shall be entitled, notwithstanding any provisions of Section 14, to charge the Executing Transmission Owner any amounts specified in the RTO West Tariff, unless such direction by the Executing Transmission Owner is necessary and the costs arise because of RTO West's failure to comply with its obligations to implement these service preferences and delivery obligations. RTO West's charges may include any amounts needed to make third parties whole for the economic impacts of providing the Transmission Service as demanded.] [Note: **The RTO West Tariff will contain a provision providing for RTO West, if directed pursuant to this provision to make deliveries RTO West otherwise would not make, to specify as a charge to the Bonneville Power***

Administration RTO West's estimate of the incremental cost (including lost commercial opportunities and any cost of interruption of service to third parties) to RTO West arising from compliance with a Bonneville Power Administration directive, unless such direction by the Executing Transmission Owner is necessary and the costs arise because of RTO West's failure to comply with its obligations to implement these service preferences and delivery obligation. The RTO West Tariff also will provide for RTO West to use proceeds from such charge to compensate third parties for RTO West's estimate of incremental costs incurred by such third parties (including lost commercial opportunities and any cost of interruption of service) as a result of such compliance.]

5.6 Control and Operation of RTO West Control Area. On and after the Transmission Service Commencement Date, RTO West shall assume Operational Control of the existing control areas of the Participating Transmission Owners and shall have the right to operate such control areas as a single RTO West Control Area. RTO West shall operate the RTO West Control Area in compliance with the standards specified in Section 10.1 of this Agreement *and with thermal and other operating parameters established by the Executing Transmission Owner for its Transmission Facilities. RTO West may modify the thermal and other operating parameters established by the Executing Transmission Owner for its Transmission Facilities through Dispute Resolution. In any Dispute Resolution proceeding concerning whether such modifications are appropriate, the arbitrator shall (1) apply Good Utility Practice in reaching a determination and (2) not uphold a modification that would violate the Executing Transmission Owner's safety standards. Except as provided in Section 2.3.2, this Section is enforceable only through equitable relief.*

5.7 RTO West's Other Duties as a Transmission Service Provider.

5.7.1 Transmission Tariffs. RTO West shall develop and administer an RTO West Tariff for the Transmission Services and shall comply with the RTO West Tariff.

5.7.2 Transmission Service Requests. RTO West shall process Transmission Service requests and shall execute all contracts for Transmission Service. RTO West shall respond to all requests for Transmission Service within the time frames and in accordance with the terms and conditions of the RTO West Tariff and in accordance with applicable FERC requirements.

5.7.3 Relief of Transmission Service Obligation of the Executing Transmission Owner. RTO West shall intervene before the FERC as necessary to assert RTO West's exclusive right and obligation to supply such Transmission Services as set forth in this Agreement. If the Executing Transmission Owner is ordered by the FERC or by a court of competent jurisdiction to provide any such Transmission Services directly, RTO West shall provide to the Executing Transmission Owner Transmission Services as needed for the Executing Transmission Owner to comply with all such applicable orders.

5.7.4 Transmission Scheduling. RTO West shall administer the transmission scheduling function for all Transmission Service over the RTO West Transmission System, including prescheduling and real-time scheduling.

5.7.5 RTO West Web Site Requirements. RTO West shall ensure that the RTO West Website meets the OASIS and comparable requirements as set out by the FERC.

5.7.6 Generator Compliance with Curtailment and Redispatch Orders. *RTO West shall (1) use all reasonable means to require electric generation facilities taking*

Transmission Service directly from RTO West to comply to the extent practicable with curtailment and redispatch orders during RTO West Controlled Transmission System Emergencies and (2) incorporate into the RTO West Tariff or rate schedules provisions that contain reasonable penalties or incentives for compliance.

5.7.7 Regulatory Compliance. RTO West shall comply with all applicable laws, treaties and regulations applicable to the provision of Transmission Services. *If any new law applicable to the Executing Transmission Owner's operation of its Transmission Facilities is enacted after the Transmission Service Commencement Date, RTO West shall comply with such new law. The Executing Transmission Owner shall consult with RTO West in developing provisions implementing such new law.*

5.7.8 Accounting, Data Storage and Billing. RTO West shall administer transaction accounting, storage of historical data and billing functions in connection with its provision of Transmission Services. Such services shall be rendered in full compliance with the provisions of the Paying Agent Agreement.

5.7.9 Control Centers. *RTO West shall provide for adequate and operational RTO West primary and backup control centers.*

5.8 Executing Transmission Owner's Obligations for Operation of its Transmission Facilities.

5.8.1 Control Center. Except as otherwise ordered or approved by the FERC, the Executing Transmission Owner shall continue to operate, or contract with another entity to provide equivalent services as if it operated a fully equipped control center staffed by qualified

operating personnel responsible for carrying out the following functions under RTO West's direction and coordination.

5.8.2 Switching Orders and Clearances. The Executing Transmission Owner shall prepare and execute switching orders and the issuance of clearances to field personnel with respect to the Transmission Facilities. *The Executing Transmission Owner reserves the right to conform to its safety practices and standards when responding to RTO West directions.*

5.8.3 Log Maintenance. The Executing Transmission Owner shall maintain official switching and a system status log with respect to the Transmission Facilities.

5.8.4 RTO West Transmission System Monitoring and Security. The Executing Transmission Owner shall provide to RTO West information, updated at intervals as specified by RTO West, that RTO West reasonably specifies is necessary for its monitoring or analysis functions or otherwise is necessary for the performance of RTO West's duties. In accordance with RTO West's overall direction, the Executing Transmission Owner shall monitor and evaluate power and reactive flows and voltage levels and take action to maintain security of the RTO West Transmission System.

5.8.5 Maintenance Outages. The Executing Transmission Owner shall coordinate proposed Transmission Facility maintenance outages with RTO West. The Executing Transmission Owner shall submit to RTO West all proposed maintenance outages on the RTO West Controlled Transmission Facilities, which proposals RTO West shall approve or reject based on RTO West's operating priorities and reliability concerns. RTO West shall pay to the Executing Transmission Owner the costs incurred by the Executing Transmission Owner

resulting from an RTO West directive to change the timing of scheduled outages that previously had been approved by RTO West.

5.8.6 RTO West Transmission System Security. The Executing Transmission Owner shall receive and execute actions required by the Security Coordinator, subject to Section 5.11 of this Agreement.

5.8.7 RTO West Transmission System Reliability. The Executing Transmission Owner shall carry out with respect to the RTO West Controlled Transmission Facilities all operating functions not assumed by RTO West.

5.8.8 Restoration of RTO West Controlled Transmission Facilities. Following an outage of RTO West Controlled Transmission Facilities, if RTO West Transmission System reliability is not jeopardized, the Executing Transmission Owner shall initiate and prioritize RTO West Controlled Transmission Facility restoration. In exercising its discretion hereunder, the Executing Transmission Owner shall afford no undue preference to any market participant or load.

5.8.9 RTO West Controlled Transmission System Restoration. The Executing Transmission Owner shall take such actions as are consistent with RTO West directives to restore the RTO West Controlled Transmission System as soon as possible after an outage affecting the RTO Controlled Transmission Facilities and the comparable facilities of one or more other Participating Transmission Owners, in the priority order determined by RTO West.

5.9 Compliance with Standards of Conduct. The Executing Transmission Owner shall ensure that any of its personnel performing the duties specified in Section 5.8 (1) comply with information access requirements of the FERC standards of conduct as set out at 18 CFR §

37.4, as amended from time to time and as interpreted by the FERC (except that any OASIS posting requirements thereunder shall be deemed satisfied at such time as the relevant information has been posted on the RTO West Web Site), with respect to all communications with any market participant, including a merchant function affiliated with the Executing Transmission Owner, concerning the performance of such functions and with respect to the distribution of any information not available on the RTO West Web Site related to the performance of such functions and (2) give no undue preference to any market participant.

5.10 Security Coordinator. On and after the Transmission Service Commencement Date, RTO West shall, directly or by contract, perform all functions required of a Security Coordinator. In carrying out its responsibilities with respect to security coordination, RTO West shall have authority to direct whatever real-time action it deems necessary to alleviate conditions affecting the reliability, security and stability of the RTO West Transmission System and to restore the RTO West Transmission System and interconnected transmission systems to service following any Transmission Service interruption, consistent with the provisions of the RTO West Tariff and Section 5.11 of this Agreement.

5.11 Regulatory Criteria. *In carrying out the requirements of this Agreement, the Executing Transmission Owner shall not be required to take actions that would violate NERC or WSCC standards, its FERC licenses, other FERC requirements, its NRC licenses or NRC standards, applicable governmental laws or regulations, applicable non-power requirements with which the Executing Transmission Owner is obligated to comply (including, without limitation, environmental laws, regulations, court and administrative orders or biological opinions) or its safety requirements.*

6. Pre-Existing Transmission Agreements.

6.1 Pre-Existing Transmission Agreements Among Initial Participating

Transmission Owners. On and after the Transmission Service Commencement Date, RTO West shall replace the Executing Transmission Owner as the provider of the Transmission Services specified in all of the Pre-Existing Transmission Agreements among the Initial Participating Transmission Owners, as set out in Exhibit C.

6.2 Pre-Existing Transmission Agreements with Additional Participating

Transmission Owners. Whenever RTO West announces an intention to execute any additional Transmission Operating Agreement, the Executing Transmission Owner shall negotiate in good faith to suspend all or portions of its Pre-existing Transmission Agreements with such Additional Participating Transmission Owner, in a manner consistent with the suspension arrangements negotiated with the Initial Participating Transmission Owners. Such obligation will be without prejudice to the Executing Transmission Owner's right, as set out in Section 3.2, to challenge RTO West's execution of additional Transmission Operating Agreements. Any disagreements as to the appropriate provisions to be suspended shall be resolved pursuant to the Dispute Resolution provisions of Section 18.

6.3 Non-Converted Transmission Agreements with Non-RTO West Parties.

Exhibit C to this Agreement also lists all of the Executing Transmission Owner's Non-Converted Transmission Agreements with parties other than the Initial Participating Transmission Owners. The Executing Transmission Owner shall take Transmission Service from RTO West as needed to satisfy the requirements of such Non-Converted Transmission Agreements, and RTO West shall make available all Transmission Services necessary for the Executing Transmission Owner

to satisfy its obligations under such agreements. Unless the transmission customer under the Non-Converted Transmission Agreement elects to otherwise arrange for scheduling with RTO West of its Transmission Service, the Executing Transmission Owner shall schedule Transmission Service with RTO West as required to satisfy each such Non-Converted Transmission Agreement. The Executing Transmission Owner shall notify RTO West if any of such Non-Converted Transmission Agreements are suspended or terminated and shall amend Exhibit C at such time to remove any such suspended or terminated Non-Converted Transmission Agreement. Prior to the Transmission Service Commencement Date, the Executing Transmission Owner shall make a good faith offer to any third party holding a Pre-Existing Transmission Agreement to suspend or terminate such agreement, in return for (1) receipt by the third party of Firm Transmission Rights and (2) payment by the third party of the Executing Transmission Owner's Company Rate or of Transfer Charges on terms and conditions comparable to those offered Participating Transmission Owners with respect to their own Pre-Existing Transmission Agreements. In connection with such offer, RTO West shall offer to make such Firm Transmission Rights available to the holder of such Pre-Existing Transmission Agreement, in return for such suspension or termination. If such third party declines such good faith offer, the Executing Transmission Owner shall attempt to negotiate appropriate modifications to procedures specified in the resulting Non-Converted Transmission Agreement, to achieve consistency with RTO West operating procedures, deadlines and other protocols, while preserving the balance of burdens and benefits for the parties to such Non-Converted Transmission Agreement.

7. Ancillary Services.

7.1 Provision of Ancillary Services by RTO West. Through contracts with the Executing Transmission Owner or with third party providers, RTO West shall arrange, on a prescheduled day-ahead or hour-ahead basis only, and as a provider of last resort, for the provision of Ancillary Services requested from RTO West in connection with the provision of Transmission Services. However, (1) if there is no competitive market for Ancillary Services, RTO West may arrange for Ancillary Services for periods longer than one day, so long as such arrangements are for Ancillary Services that will be provided within the first six (6) months after the Transmission Service Commencement Date; (2) RTO West shall be the sole provider of Scheduling, System Control and Dispatch Services as set forth in the RTO West Tariff and (3) RTO West, through contracts with the Executing Transmission Owner or with third-party providers, may provide Black Start Service and Voltage Support Service on other than a prescheduled day-ahead or hour-ahead basis.

7.2 Ancillary Service Tariffs. RTO West shall develop and administer an RTO West Tariff for provision of the Ancillary Services specified in Section 7.1 and shall comply with the RTO West Tariff.

7.3 Provision of Ancillary Services by the Executing Transmission Owner.

7.3.1 Right of the Executing Transmission Owner To Provide Ancillary Services. The Executing Transmission Owner reserves the right after the Transmission Service Commencement Date to provide Self-Provision, Self-Tracking or to provide to third parties through bilateral agreements any Ancillary Service that the Executing Transmission Owner is permitted by the FERC to provide. Self-Provision and Self-Tracking arrangements shall meet applicable RTO West reliability criteria and RTO West Tariff requirements. The Executing

Transmission Owner shall provide any information concerning such arrangements that RTO West determines necessary to demonstrate such compliance.

7.3.2 Assuring RTO West Responsibility to Provide Ancillary Services. If any Eligible Customer seeks to compel the Executing Transmission Owner to provide any Ancillary Service, and the Executing Transmission Owner objects to providing such Ancillary Service, RTO West shall cooperate with the Executing Transmission Owner's efforts to assure that RTO West, rather than the Executing Transmission Owner, provide such Ancillary Service. If the Executing Transmission Owner is ordered by the FERC or by a court of competent jurisdiction to provide such Ancillary Service, RTO West, pursuant to the RTO West Tariff, shall provide to the Executing Transmission Owner Ancillary Services as needed for the Executing Transmission Owner to comply with all such applicable orders.

7.3.3 BackUp Provision of Ancillary Services by the Executing Transmission Owner to RTO West. RTO West shall solicit bids for Ancillary Services. If RTO West determines it is unable to secure sufficient amounts of Ancillary Services pursuant to voluntary bids, the Executing Transmission Owner shall upon RTO West's direction submit a bid to provide Ancillary Services in any hour, to the extent that the Executing Transmission Owner is capable of providing such Ancillary Services. To the extent practicable, RTO West shall require the submission of bids from the Executing Transmission Owner and from Participating Transmission Owners on a not unduly discriminatory or preferential basis.

7.4 RTO West's Facilitation of External Ancillary Services Market. RTO West shall facilitate the establishment of an external mechanism or mechanisms for the marketing of Ancillary Services. To assist development of such an external market, RTO West shall specify

criteria that such an external market mechanism must meet and shall certify those market mechanisms that meet such criteria. The RTO West criteria would include a requirement that such an external market mechanism provide the capability for market participants to buy, sell and trade Ancillary Services for periods longer than one (1) day ahead. In the event that no external mechanism for the marketing of Ancillary Services arises within a reasonable time that meets the RTO West criteria, RTO West shall issue a request for proposals to create such a mechanism.

8. Performance Plans and Performance Standards.

8.1 Performance Plans. RTO West and the Executing Transmission Owner shall jointly develop an RTO West Controlled Transmission Facilities performance plan that specifies reasonable minimum annual reliability and availability requirements applicable to the RTO West Controlled Transmission Facility maintenance activities of the Executing Transmission Owner.

The performance plan also shall take into account:

- Good Utility Practice
- Potential synergies among the maintenance activities of the Participating Transmission Owners
- Life-cycle costs
- Competitive maintenance management practices
- Appropriate new technologies
- Any unique Transmission Facility requirements
- Service requirements of wholesale and retail customers served from the RTO West Controlled Transmission Facilities
- System optimization strategies

If such performance plan has not been jointly completed within one (1) year of the Transmission Service Commencement Date, either RTO West or the Executing Transmission Owner may invoke the Dispute Resolution process to resolve any disputes as to the *minimum* elements of an appropriate performance plan. Either RTO West or the Executing Transmission Owner also may

invoke the Dispute Resolution process to resolve any disputes as to proposed changes to any performance plan then in effect. The Executing Transmission Owner thereafter shall comply with such performance plan.

8.2 Performance Plan Disputes. If any Eligible Customer and RTO West initiate a Dispute Resolution process related to the Executing Transmission Owner's compliance with the performance plan or performance standards as set forth in Section 8.1, (1) RTO West shall notify the Executing Transmission Owner prior to initiation of such Dispute Resolution process and shall arrange for the Executing Transmission Owner, upon its request, to intervene as a party to all phases of such process and (2) the Executing Transmission Owner, at RTO West's request, shall intervene as a party in all phases of such Dispute Resolution process.

8.3 Annual Performance Standards. *RTO West shall develop and implement on an annual basis performance standards for the operation, management and financial control of RTO West.*

8.4 Annual Report. Within four (4) months after the end of each calendar year in which a performance plan is in effect, the Executing Transmission Owner and RTO West shall submit their actual performance data to the other for such calendar year, in a format and containing such information as the other reasonably specifies, so that (1) RTO West can assess the Executing Transmission Owner's compliance with the performance plan in effect for such calendar year *and (2) the Executing Transmission Owner can assess RTO West's compliance with its performance standards in effect for such calendar year.*

9. RTO West Critical Control Facilities. The following provisions shall apply to the extent that the Executing Transmission Owner owns or has the contractual right to control facilities that meet the definition of RTO West Critical Control Facilities:

9.1 Designation of RTO West Critical Control Facilities. Exhibit E sets forth the initially designated RTO West Critical Control Facilities. Upon the request of RTO West, the Executing Transmission Owner and RTO West shall amend Exhibit E to supplement or redesignate the RTO West Critical Control Facilities. If the Executing Transmission Owner disputes whether facilities RTO West requests be added to Exhibit E should be designated as RTO West Critical Control Facilities, such dispute shall be subject to Dispute Resolution.

9.2 Operation and Maintenance. To the extent consistent with constitutional and statutory provisions applicable to the Executing Transmission Owner and consistent with applicable third-party contract rights, the Executing Transmission Owner shall make all reasonable efforts to permit all RTO West Critical Control Facilities otherwise subject to its control to be operated in such manner as RTO West may reasonably request, which may include RTO West's direct automatic or manual control of such RTO West Critical Control Facilities. If the Executing Transmission Owner disputes that direct control requested by RTO West is necessary in order to maintain RTO West Transmission System transfer capabilities and reliability, such dispute shall be subject to Dispute Resolution. Upon its assumption of Operational Control, RTO West shall coordinate transmission maintenance outage schedules on the RTO West Critical Control Facilities to facilitate RTO West Transmission System security. The Executing Transmission Owner shall maintain the settings and functionality of the RTO West Critical Control Facilities that are otherwise under its control, *provided that such settings*

and functions comply with thermal and other operating parameters established by the Executing Transmission Owner, and shall schedule maintenance outages on the RTO West Critical Control Facilities in accordance with WSCC and NERC criteria and Good Utility Practice and as directed or approved by RTO West. The thermal and other operating parameters may be challenged by RTO West pursuant to Dispute Resolution, as set out in Section 5.6. . Except as provided in Section 2.3.2, this Section is enforceable only through equitable relief.

9.3 Existing Remedial Action Schemes. In addition to the requirements to maintain the transfer capability of RTO West Controlled Transmission Facilities as set forth in Section 5.2 of this Agreement, the Executing Transmission Owner shall make good faith efforts to (1) maintain Remedial Action Scheme(s) pursuant to its contractual rights and obligations existing on the effective date of this Agreement until the expiration of the applicable contracts or (2) if such Remedial Action Scheme(s) both (i) are necessary to maintain the WSCC transmission path ratings as shown in the 1998 WSCC Path Rating Catalogue and (ii) previously were provided by the Executing Transmission Owner without contract, maintain the Remedial Action Scheme(s) for three (3) years from the Transmission Service Commencement Date.

9.4 Compensation for Remedial Action Schemes. The Executing Transmission Owner may include in its rates established pursuant to Section 13 any (1) contract compensation or (2) in the absence of contract compensation, costs to it for establishing, implementing and maintaining Remedial Action Scheme(s) pursuant to this Agreement. To the extent such RTO West Critical Control Facilities are contractual rights of the Executing Transmission Owner to interrupt power supplies to third parties or to require third parties to interrupt operation of electric generation facilities, RTO West shall pay to the Executing Transmission Owner or to the

applicable third parties any contractual charges for the reservation or the exercise of such rights, including any contractual liquidated damages, as specified in the applicable agreements. The costs referenced in subpart (2) above may include (1) insurance payments and (2) foregone profits or net revenues when generation or load is interrupted but shall not include equipment damage.

10. RTO West Compliance and Coordination Standards.

10.1 Compliance with Regulatory Requirements. RTO West shall comply with (1) Good Utility Practice, (2) all applicable standards of NERC and WSCC related to such planning and operations, (3) all applicable requirements of regulatory agencies with authority over such planning and operations *and (4) with respect to operation of the RTO West Controlled Transmission Facilities, the operating reliability criteria, dispatch standing orders and operating bulletins of the Executing Transmission Owner unless and until modified by RTO West, provided that any such modifications comply with applicable NERC and WSCC standards. If any new law applicable to the Executing Transmission Owner's operation of its Transmission Facilities is enacted after the Transmission Service Commencement Date, RTO West shall comply with such new law. The Executing Transmission Owner shall consult with RTO West in developing provisions implementing such new law. Except as provided in Section 2.3.2, this Section is enforceable only through equitable relief.*

10.2 Regional and Inter-Regional Transmission Coordination. RTO West shall become a member of appropriate regional and inter-regional transmission reliability forums, committees and work groups applicable to the geographic areas served by the RTO West Transmission System. Subject to Section 21, RTO West shall submit RTO West Transmission

System data as required by such forums, committees and work groups, including, but not limited, to power flow and stability data and studies, FERC 715 filing requirements, data needed for transmission planning studies and reports concerning significant RTO West Transmission System expansion plans.

11. Support of Upgrade and Expansion of Transmission Facilities.

11.1 Support of Upgrade and Expansion of Transmission Facilities.

In support of upgrades or expansions to the Transmission Facilities determined by RTO West to be needed, the Executing Transmission Owner shall, upon the request of RTO West and consistent with applicable law:

11.1.1 Interconnection. Permit the installation of such expansions and upgrades and the interconnection of such upgrades or expansions with the RTO West Controlled Transmission Facilities; provided that except as provided in rates charged pursuant to an RTO West Tariff conforming to the provisions of Section 14 of this Agreement, the Executing Transmission Owner shall not hereby be obligated to incur or assume any of the costs of such installations or interconnections, and RTO West shall take such actions as are necessary to assure the Executing Transmission Owner that it will not be required to incur or assume any such costs. *The Executing Transmission Owner's interconnection standards shall apply to the RTO West Controlled Transmission Facilities unless and until modified by RTO West, provided that any such modifications shall comply with applicable NERC and WSCC reliability and safety standards. RTO West agrees to take necessary actions to protect the Executing Transmission Owner's facilities in the event of the interconnecting party's failure to comply with any such requirement.*

11.1.2 Cooperation. To the extent permitted under applicable law, cooperate with RTO West in connection with the obtaining of necessary siting and other permits and licenses, with the shared use or expansion of the Executing Transmission Owner's rights-of-way as needed for the upgrade or expansion, with requests for the sale or assignment of necessary rights-of-way and with the planning and construction of the upgrades or expansions by a third party designated by RTO West; provided that except as provided in rates charged pursuant to an RTO West Tariff that conforms to Section 14 of this Agreement, the Executing Transmission Owner shall not hereby be obligated to incur or assume any of the costs of such cooperation, and RTO West shall take such actions as are necessary to assure the Executing Transmission Owner that it will not be required to incur or assume any such costs.

11.1.3 Exercise of Eminent Domain Authority. To the extent permitted under applicable law, take necessary and appropriate steps, which if and to the extent necessary would include (1) exercising its eminent domain authority, (2) taking appropriate regulatory and judicial actions to condemn the necessary rights-of-way for such upgrades or expansions and (3) if necessary to support such exercise of eminent domain authority, acquiring legal ownership of such upgrades or expansions; provided that the Executing Transmission Owner (i) subject to applicable governmental siting requirements, may consider facility locations that it finds less disruptive to the public than the location or locations that RTO West may have selected and that will meet the service requirements of RTO West and its transmission customers and (ii) except as provided in rates charged pursuant to an RTO West Tariff conforming to Section 14 of this Agreement, shall not hereby be obligated to incur or assume any of the cost of such exercise of eminent domain authority, of such regulatory or judicial actions or of such legal ownership, and

RTO West shall take such actions as are necessary to assure the Executing Transmission Owner that it will not be required to incur or assume any such costs. If the Executing Transmission Owner is an entity that may not under applicable law be required by RTO West to take the actions specified herein, RTO West reserves all other remedies, including, but not limited to, the filing of a request for construction of transmission facilities pursuant to Sections 210 and 211 of the Federal Power Act or successor statutes.

11.2 RTO West's Remedy. If the Executing Transmission Owner fails promptly and completely to comply with the requirements of Section 11.1, RTO West reserves the right to exercise all remedies available to it, including, but not limited to, (1) filing with the FERC a request under Sections 210 or 211 of the Federal Power Act, or successor statutes for an order requiring the Executing Transmission Owner to comply or (2) arranging for the upgrade or expansion through a third party. RTO West shall be authorized to assign the costs of upgrades or expansions it has arranged, pursuant to the provisions of Section 14 and the RTO West Tariff.

11.3 Expansion of Transmission Facilities. If the Executing Transmission Owner is requested by RTO West or is ordered by the FERC to construct, purchase or otherwise acquire additional transmission facilities, or otherwise to include any other such facilities as Transmission Facilities hereunder, RTO West will not object to the inclusion by the Executing Transmission Owner of the reasonable cost of such transmission facilities in the Executing Transmission Owner's rates. Nothing in this Section 11.3 shall restrict the right of the Executing Transmission Owner to request and to receive revenue recovery with respect to any other additional transmission facilities, pursuant to applicable orders authorizing such revenue recovery.

12. Planning.

12.1 Planning Function.

12.1.1 RTO West's Planning Responsibility. RTO West shall assume primary responsibility for planning of the RTO West Controlled Transmission Facilities and of comparable facilities identified in other Transmission Operating Agreements and shall have the right to review proposals for additions or modifications to all such facilities. Upon the request of the Executing Transmission Owner, RTO West shall consider proposals for additions or modifications to RTO West Transmission System facilities for purposes of serving local loads, connecting new electric generation facilities and improving RTO West Transmission System reliability, safety and efficiency.

12.1.2 Planning by the Executing Transmission Owner. With respect to facilities owned or otherwise controlled by the Executing Transmission Owner, the Executing Transmission Owner shall have responsibility for planning its Transmission Facilities and for making additions, modifications and expansions to its Transmission Facilities if the FERC determines that such Executing Transmission Owner is independent from control of market participants or otherwise is entitled to exercise such authority. RTO West shall retain primary planning responsibility and final decision-making authority with respect to RTO West Controlled Transmission Facilities; provided that if the additions, modifications and expansions to such facilities do not impair reliability or bulk transmission capability of the RTO West Transmission System, the requested approval of RTO West shall not be unreasonably delayed or withheld.

12.2 Lists of Proposed RTO West Transmission System Additions. RTO West shall maintain a current list of all proposed RTO West Transmission System additions.

13. Executing Transmission Owner's Rates. [Note: During the Company Rate Period, Section 13 would not need to be applicable to any Participating Transmission Owner whose transmission rates were not subject to the jurisdiction of the FERC or of a Canadian Regulatory Authority.]

13.1 Executing Transmission Owner's Rate Schedules. The Executing Transmission Owner retains its rights to file rate schedules for use of the Transmission Facilities as provided hereunder, as follows:

13.1.1 Company Rate Period Rate Schedules. During the Company Rate Period, the Executing Transmission Owner shall establish Company Costs and Company Billing Determinants to be applied to its Company Loads by RTO West, *acting as billing agent for the Executing Transmission Owner*. The application by RTO West of Company Costs and other costs to derive Company Rates paid by the Executing Transmission Owner's Company Loads for the Company Rate Period shall be as set out in Section 14 and Exhibit G to this Agreement.

13.1.2 Post-Company Rate Period Rate Schedules. After conclusion of the Company Rate Period, the Executing Transmission Owner shall continue to establish, in accordance with applicable law and as provided herein, its revenue requirements to be charged to or by RTO West, pursuant to the RTO West Tariff.

13.2 Initial and Revised Rates.

[For public utilities as defined by the Federal Power Act: The initial and revised rates, charges and fees, including during the Company Rate Period Company Costs and Company Billing Determinants of the Executing Transmission Owner shall be as set forth in rate schedules as accepted for filing by the FERC. Nothing contained in this Agreement shall be

construed as affecting in any way the right of the Executing Transmission Owner to unilaterally make application to FERC for a change in its rates, charges and fees, including during the Company Rate Period its Company Costs or Company Billing Determinants, for the services provided hereunder under Section 205 of the Federal Power Act or any successor statute and pursuant to FERC's rules and regulations promulgated thereunder.]

[For the Bonneville Power Administration: The initial and revised rates, charges and fees, including during the Company Rate Period Company Costs and Company Billing Determinants, of the Executing Transmission Owner shall be (1) as established by the Executing Transmission Owner in a rate proceeding as specified in Section 7(i) of the Pacific Northwest Electric Power Planning and Conservation Act and as thereafter confirmed and/or approved by FERC on an interim or final basis or (2) as established and, if necessary, approved in accordance with applicable law if the rate setting or other cost recovery authority or procedures applicable to the Executing Transmission Owner subsequently are revised by statute. Nothing contained in this Agreement shall be construed as limiting or otherwise affecting in any way (1) the Executing Transmission Owner's right to change its rates, charges and fees, including during the Company Rate Period its Company Costs or Company Billing Determinants, pursuant to applicable law or (2) any duty or authority of the Executing Transmission Owner under any new legislation enacted after the date of this Agreement to recover costs, whether by way of rate, tax, rent, lease, payment, assessment, user charge or any other fee.]

13.3 Incentive Rate Making. With respect to facilities owned or otherwise controlled by the Executing Transmission Owner, the Executing Transmission Owner shall retain the right

to unilaterally file at the FERC for modification of its rates and rate recovery mechanisms, including performance-based rates and other incentive-oriented rate recovery mechanisms, if the FERC determines that such Executing Transmission Owner is independent from control of market participants or otherwise is entitled to obtain such recovery. Such rate filings must be designed so as to ensure that they will not lead to unjust, unreasonable or otherwise unduly discriminatory results for other participants in RTO West. RTO West will conform its tariffs and practices as necessary to ensure collection of such rate recovery mechanisms accepted by the FERC for the Executing Transmission Owner.

13.4 Recovery of Stranded Costs. Nothing included in or omitted from this Agreement is intended to create, modify or extinguish any right or obligation, if any and whether now or hereafter existing, of either Party regarding recovery by the Executing Transmission Owner through transmission charges or other means of the Executing Transmission Owner's Stranded Costs, and such rights or obligations, if any, shall be as if this Agreement had not been executed. The Executing Transmission Owner expressly reserves the right to file rate schedules with the FERC or with any other entity with applicable jurisdiction for the recovery of Stranded Costs and to collect Stranded Costs under such rate schedules, as accepted for filing or approved by the entity with jurisdiction, with respect to wholesale or retail loads with access to the Executing Transmission Owner's Transmission Facilities. Any such load shall be deemed for purposes of this section to access such Transmission Facilities if and to the extent (1) either as of the date of this Agreement, or at any time hereafter, the point(s) of interconnection of such load with the RTO West Transmission System are or were with such Transmission Facilities or (2) such load is not as of the date of this Agreement or at any time hereafter directly connected to the

Transmission Facilities but, in the absence of RTO West, would have had insufficient transmission interconnections with transmission providers other than with the Executing Transmission Owner to receive the power being wheeled to such load. Demonstration of sufficient transmission interconnections with other transmission providers requires (a) a reasonable showing that the alternative path(s) would have sufficient available transmission capacity to provide the wheeling, based on the capability of those paths and uses of those paths prior to RTO West formation, and (b) the cost of wheeling over the alternative path(s) would have been economical when compared to the total cost of wheeling over the Executing Transmission Owner's Transmission Facilities, including the payment of Stranded Costs. The RTO West Tariff shall contain an automatic adjustment clause or other provision that provides for the recovery of such Stranded Costs as a surcharge for Transmission Service to such loads.

13.5 Annual Reporting Requirements. By June 1 of each year, the Executing Transmission Owner shall make a report to RTO West of its costs in the most recent calendar or fiscal year for those items that are the basis of the rates to RTO West in the Executing Transmission Owner's applicable rate schedule. The report will be supplied using information equivalent to the information provided by FERC jurisdictional utilities in FERC Form No. 1. Such annual report shall include but shall not necessarily be limited to, (1) Transmission Facility rate base (plant balances for Transmission Facilities, depreciation, allocated general plant, etc.), (2) Transmission Facility expenses (depreciation, Transmission Facility operation and maintenance, allocated portions of administrative and general, etc.) and (3) a list of Transmission Facilities constructed or retired during the reporting period. This annual reporting requirement shall be satisfied by an entity that is a public utility as defined in the Federal Power Act by the

provision of any requested nonconfidential data that such public utility has provided to the FERC pursuant to FERC's reporting requirements.

14. RTO West's Rate Schedules. RTO West shall have the right to file rate schedules for its Transmission Services and Ancillary Services, subject to the following provisions: **[Note: During the Company Rate Period, Section 14 and Exhibit G generally would not need to apply to any Participating Transmission Owner whose Transmission Rates were not subject to the jurisdiction of the FERC or of a Canadian Regulatory Authority.]**

14.1 Initial and Revised Rates. The initial and revised rates charged to the Executing Transmission Owner by RTO West shall be under rate schedules as accepted for filing or approved by the FERC[(for the **Bonneville Power Administration only**), *provided that RTO West shall not add any charges to the Executing Transmission Owner's revenue requirement that would provide RTO West with a profit or return on federal assets*]. Except as provided in this Agreement, nothing contained in this Agreement shall be construed as affecting in any way the right of RTO West to unilaterally make application to FERC for a change in the rates for the services provided hereunder under Section 205 of the Federal Power Act or any successor statute and pursuant to FERC's rules and regulations promulgated thereunder. *If for any period subsequent to the Company Rate Period, RTO West implements a rate structure other than the Company Rate structure as set forth herein, RTO West agrees to develop and implement rates to recover revenues (1) adequate to meet the Executing Transmission Owner's annual revenue requirement as allowed by law, (2) consistent with recovery of rate mechanisms submitted pursuant to Section 13.3 and approved by FERC; and (3) that continue to be collected in a manner that satisfies all obligations of the Bonneville Power Administration for the net billing*

and payment of costs of nuclear generating projects owned in whole or in part by Energy Northwest or Eugene Water and Electric Board, whether or not such projects are terminated or operating, and to continue to assure that revenues of the Bonneville Power Administration from the use of transmission facilities owned by the Bonneville Power Administration are not subject to diversion to pay obligations other than those of the Bonneville Power Administration. RTO West and the Executing Transmission Owner agree to cooperate, prior to any termination of the Company Rate structure, in developing such rate structure.

14.2 RTO West's Rates During the Company Rate Period.

14.2.1 Rates Charged to Company Loads. Notwithstanding any other provision of this Agreement, during the Company Rate Period, RTO West's charges for all Transmission Service using the RTO West Transmission System shall be comprised of (1) Company Rate charges (which for the Executing Transmission Owner shall be imposed by RTO West as billing agent for the Executing Transmission Owner) in the form of Access Charges payable by Company Loads; (2) Transfer Charges allocated pursuant to any requirements of the Transmission Operating Agreement with the Bonneville Power Administration with respect to those Electric Utilities set out in Exhibit H that do not become Participating Transmission Owners, or upon an independent grid operator making such Transfer Payments on behalf of such non-participating Electric Utilities, (3) compensation to RTO West for its costs of operations, including, but not limited to, costs related to management of congestion on the RTO West Controlled Transmission Facilities, Lost Revenue Recovery Amount payments, real-power losses and for Ancillary Services, as accepted for filing by the FERC; and (4) any allocation of Stranded Costs, as provided in Section 13.4.

[In BPA Agreement only: For any Electric Utility specified in Exhibit H that does not directly (or indirectly through an independent grid operator that executes a Transmission Operating Agreement and undertakes to make the Transfer Payments on behalf of such nonparticipating Electric Utility) execute a Transmission Operating Agreement providing payment of the Exhibit H Transfer Charges with respect to the various Participating Transmission Owners, RTO West shall as a condition of furnishing such Electric Utility with access to the Executing Transmission Owner's Transmission Facilities for

transmission other than under Non-Converted Transmission Agreements, charge such Electric Utility as an additional Access Charge the amounts shown for such Electric Utility in Exhibit H as payable to replace representative amounts of pre-RTO West short-term firm and nonfirm payments to the various Participating Transmission Owners. *The total revenues collected from such Access Charge shall be billed by RTO West as billing agent for the Bonneville Power Administration and payment shall be paid by such Electric Utility to the paying agent for the Bonneville Power Administration.*

14.2.2 Calculation of Company Rates. The Company Rate component of the RTO West Tariff shall be derived in the manner set out in Exhibit G to this Agreement.

14.2.3 Paying Agent. *RTO West shall specify in the RTO West Tariff that the Company Rates are billed by RTO West for the Executing Transmission Owner's Company Loads by RTO West as a billing agent for the Executing Transmission Owner. RTO West shall have no ownership interest in the proceeds or receivables of the amounts billed by RTO West as the billing agent for the Executing Transmission Owner. All applicable bills sent by RTO West shall provide for payment of the Company Rate portion of the bill directly to a paying agent designated by the Executing Transmission Owner for receipt of its funds. As billing agent for the Executing Transmission Owner, RTO West shall (1) impose on behalf of the Executing Transmission Owner such charges on delinquent Company Rate billings as are established by lawful tariffs of the Executing Transmission Owner and (2) employ such actions to collect delinquent payments and such remedies for nonpayment as RTO West employs for delinquent payments due RTO West, supplemented by any remedies established pursuant to lawful tariffs of the Executing Transmission Owner.*

14.2.4 Agreement to Suspend Provisions of Pre-Existing Transmission

Agreements and Paying Agent Agreement. The Parties concurrently with execution of this Agreement have executed an Agreement to Suspend Provisions of Pre-Existing Transmission Agreements *and a Paying Agent Agreement* among the Initial Participating Transmission Owners. RTO West shall ensure that all Participating Transmission Owners also execute the forms of such agreements as attached hereto as Exhibits I and J, contemporaneously with their execution of a Transmission Operating Agreement.

14.3 Lost Revenue Recovery Amount. During the Company Rate Period, RTO West shall pay to the Executing Transmission Owner and shall recover through the RTO West Tariff as an administrative and general cost recovery, the amounts shown for the Executing Transmission Owner as Lost Revenue Recovery Amounts in Exhibit H. The Lost Revenue Recovery Amounts shall compensate the Executing Transmission Owner for pre-RTO West levels of short-term firm and nonfirm wheeling revenues that cannot be recovered through Transfer Charges and shall be repayable by the Executing Transmission Owner from certain revenues from the sale of Firm Transmission Rights, as set forth in Exhibit G.

14.4 Costs Inconsistent with FERC Standards. Subsequent to the Company Rate Period, any amounts payable by RTO West to a Participating Transmission Owner, the rates of which are not required to be accepted for filing or approved by the FERC, with respect to costs of such Participating Transmission Owner that would not be allowed under FERC standards applicable to public utilities as defined in the Federal Power Act, adapted as necessary and appropriate to recognize relevant differences between such Participating Transmission Owner and such public utilities, shall be recoverable only from Access Charges paid by loads taking

Transmission Services at points of delivery on the Electric System of such Participating Transmission Owner.

14.5 Costs of Loss of Tax-Exempt Status of Existing Tax-Exempt Bonds.

14.5.1 Avoidance or Mitigation of Damages. In the event that it is reasonably foreseeable that the transfer by the Executing Transmission Owner to RTO West, pursuant to this Agreement, of Operational Control of any or all of the Transmission Facilities, or the use of any capacity on any or all of such Transmission Facilities pursuant to such transfer, would cause any of the outstanding tax-exempt bonds of the Executing Transmission Owner to become taxable as private activity bonds or otherwise under regulations, rulings or other pronouncements issued by the Internal Revenue Service under the Internal Revenue Code of 1986, as amended, the Executing Transmission Owner shall use its reasonable efforts to avoid or mitigate any potential damages or liabilities resulting from such loss of tax-exempt status of such bonds.

14.5.2 Costs Recoverable from Transmission Facility Loads. In the event that the transfer by any Participating Transmission Owner to RTO West, pursuant to a Transmission Operating Agreement, of Operational Control of any or all of such Participating Transmission Owner's Transmission Facilities, or the use of any capacity on any or all of such Transmission Facilities pursuant to such transfer, causes any of the then outstanding tax-exempt bonds of such Participating Transmission Owner to become taxable as private activity bonds or otherwise under regulations, rulings or other pronouncements issued by the Internal Revenue Service under the Internal Revenue Code of 1986, as amended, or results in a breach or violation of any covenant of such Participating Transmission Owner in any indenture for any outstanding tax-exempt bonds issued by such Participating Transmission Owner, any costs, charges, losses, liabilities,

penalties or damages incurred by such Participating Transmission Owner as a proximate result of such loss of tax-exempt status of such bonds, or such breach or violation of any such covenant in any such indenture, shall, subject to the provisions of Section 14.5.3, be recoverable only from Access Charges paid by loads taking Transmission Services at points of delivery on the Transmission Facilities of such Participating Transmission Owner, as such Transmission Facilities are identified in the Transmission Operating Agreement of such Participating Transmission Owner.

14.5.3 Costs Recoverable Without Regard to the Provisions of Section 14.5.2.

Notwithstanding any other provision of this Agreement, the following amounts shall not in any event be subject to the limitations of Section 14.5.2, shall be paid to a Participating Transmission Owner by RTO West and shall be recoverable through the RTO West Tariff as an administrative and general cost item, without regard to the limitations of Section 14.5.2: (1) any fees, costs, charges and expenses reasonably incurred by a Participating Transmission Owner in connection with any issuance of bonds in replacement of any tax-exempt bonds allocable to any or all of such Participating Transmission Owner's Transmission Facilities whether (i) pursuant to a refinancing in contemplation of the transfer of Operational Control of such Transmission Facilities by such Participating Transmission Owner to RTO West or (ii) in connection with a defeasance of any such tax-exempt bonds pursuant to a change of use of any such Transmission Facilities as a result of (A) transfer of Operational Control of such Transmission Facilities by such Participating Transmission Owner to RTO West or (B) any use of any capacity on any or all of such Transmission Facilities pursuant to such transfer, so long as the amounts of such fees, costs, charges and expenses are recovered from RTO West pursuant to Section 14 on an

amortized basis over the term of such bonds and (2) the costs of any increased debt service, coverage or related requirements which a Participating Transmission Owner is obligated to recover as a result of issuance of bonds in replacement of any tax-exempt bonds allocable to any or all of such Participating Transmission Owner's Transmission Facilities, whether (i) pursuant to a refinancing in contemplation of the transfer of Operational Control of such Transmission Facilities by such Participating Transmission Owner to RTO West or (ii) in connection with a defeasance of any such tax-exempt bonds pursuant to a change of use of any such Transmission Facilities as a result of (A) transfer of Operational Control of such Transmission Facilities by such Participating Transmission Owner to RTO West or (B) any use of any capacity on any or all of such Transmission Facilities pursuant to such transfer, so long as such increased debt service, coverage and related requirements are attributable to amounts accruing from and after such transfer.

15. Transmission Rights on Flowpaths.

RTO West hereby grants the Executing Transmission Owner Firm Transmission Rights on the RTO West Controlled Transmission System to replace preexisting rights in the RTO West Controlled Transmission System, on a basis comparable with rights held prior to the Transmission Service Commencement Date, as follows:

15.1 Rights Granted.

15.1.1 Firm Transmission Rights. RTO West hereby grants the Executing Transmission Owner Firm Transmission Rights (1) to replace its firm rights under Pre-Existing Transmission Agreements and (2) to use the Transmission Facilities as needed to serve its Load Service Obligations not covered by Pre-Existing Transmission Agreements and (3) to use the

Transmission Facilities as needed to serve obligations under any bundled power sale, exchange, coordination or other obligations not covered by a Pre-Existing Transmission Agreement.

15.1.2 Non-Converted Rights. To satisfy obligations the Executing Transmission Owner has under Non-Converted Transmission Agreements, RTO West, under rules to be determined by RTO West, shall either grant Firm Transmission Rights to the Executing Transmission Owner sufficient to meet such obligations or withhold transmission capacity sufficient for RTO West to meet such obligations under the Non-Converted Transmission Agreements.

15.1.3 Remaining Capacity. For the Executing Transmission Owner's preexisting ownership, or rights to control by contract, RTO West Transmission System capacity for which there are no firm obligations as described in Sections 15.1.1 or 15.1.2, the Executing Transmission Owner shall be entitled to an allocation of the revenue from sale of the associated Firm Transmission Rights in accordance with Exhibit G.

15.1.4 Documentation of Rights. The rights granted hereunder to the Executing Transmission Owner are as set out in Exhibit F. Subject to Dispute Resolution, RTO West may revise Exhibit F from time to time (1) to reflect changes made pursuant to Section 15.2 and (2) to make such other changes as are required to maintain comparable rights for the Executing Transmission Owner, given changes in RTO West's congestion management methods.

15.2 Term and Level of Firm Rights.

15.2.1 Load Service Obligations. Rights for Load Service Obligations and for Non-Converted Transmission Agreements providing for service to loads shall be determined based on Eligible Customer monthly noncoincidental peak and off-peak loads from 1998 - 2000.

Each year during the Company Rate Period, prior to the annual auction by RTO West of Firm Transmission Rights, the Executing Transmission Owner shall submit load growth requirement projections for the following year for its Load Service Obligations and for its Non-Converted Transmission Agreements providing for load growth of third parties. RTO West shall then allocate without additional charge and as needed to meet the following year's reasonable growth projections (1) any unencumbered transmission capability of the Executing Transmission Owner's Transmission Facilities plus (2) any unencumbered transmission capability of the Transmission Facilities of each of the other Participating Transmission Owners, but only to the extent that Pre-Existing Transmission Agreements with each such applicable Participating Transmission Owner provided for service to meet such load growth. The treatment of load growth after the Company Rate Period shall be as set forth in the RTO West Tariff.

15.2.2 Conversion to Firm Transmission Rights Based on Feasible Dispatch.

For the purpose of achieving reasonable comparability with pre-converted firm rights, Firm Transmission Rights shall be based on two (2) feasible dispatches (on-peak and off-peak) for each month (for a total of twenty-four (24) dispatches per year). In situations in which the Pre-Existing Transmission Agreement or Load Service Obligation provides for rights in both directions on a Flowpath, a second set of dispatches may be employed to establish Firm Transmission Rights in the reverse direction (for a total of forty-eight (48) dispatches per year). All such dispatches shall be calculated in a manner consistent with the underlying Pre-Existing Transmission Agreement or Load Service Obligation being converted.

15.2.3 Rollover of Pre-Existing Transmission Agreements. If any Pre-Existing Transmission Agreement contains explicit rights for the holder to extend its firm

transmission rights beyond the initial term of such Pre-Existing Transmission Agreement, which rights do not rely on the Executing Transmission Owner's open access transmission tariff for their existence, and the rights holder elects such extension, the Firm Transmission Rights shall be extended for the extension period as permitted by the terms of such Pre-Existing Transmission Agreement and elected by the holder of rights under such Pre-Existing Transmission Agreement. Firm Transmission Rights granted pursuant to Pre-Existing Transmission Agreements required to provide an adequate power supply to loads served from the Electric Systems of the Participating Transmission Owners shall continue for such extension periods as elected by the holders thereof.

15.3 ProRation of Firm Transmission Rights After Initial Allocation. If operating conditions outside of a Participating Transmission Owner's control reduce total transfer capability and Firm Transmission Rights thereby come to exceed the operating transfer capability of a Flowpath, and until the Participating Transmission Owners are able to restore the total transfer capability as required by Section 5.2, RTO West shall allocate a proportion of the available Flowpath capability to the Executing Transmission Owner pro rata to the amount of its initially allocated Firm Transmission Rights entitlements on such Flowpath.

15.4 Equal Treatment of Non-Converted and Firm Transmission Rights. Unless otherwise provided for in a Non-Converted Transmission Agreement or other Pre-Existing Transmission Agreement, all curtailments of firm rights to use the RTO West Transmission System and required due to a reduction in the transfer capacity of a Flowpath, shall be made on a non-preferential basis.

16. Records, Information Sharing and Audits.

16.1 Records Relevant to Operation of the RTO West Transmission System. RTO

West shall keep such financial, operational and other records as may be necessary for the efficient operation of the RTO West Transmission System and, except as necessary to protect Confidential Information, shall make such records available upon request for inspection by the Executing Transmission Owner.

16.2 Audit of RTO West Records. *The Executing Transmission Owner shall have the right to conduct an audit of RTO West's performance of its obligations to the Participating Transmission Owners under this Agreement. RTO West shall make its records, facilities and personnel available to the Executing Transmission Owner during the conduct of any such audit. The Executing Transmission Owner shall pay RTO West's reasonable costs of complying with such audit request.*

16.3 Notice of Claim of Noncompliance by RTO West. *In the event a third party questions or disputes RTO West's compliance with any of its obligations to the Executing Transmission Owner under the Transmission Operating Agreements, RTO West shall inform the Executing Transmission Owner of (1) the question or dispute, (2) any formal or informal processes used to resolve the dispute and (3) any resolution of the question or dispute.*

16.4 Executing Transmission Owner Records and Information Sharing.

16.4.1 Records. The Executing Transmission Owner shall maintain and make available for RTO West's inspection upon request current data, records and drawings describing the physical and electrical properties of the Transmission Facilities and relating to all inspections, maintenance, replacement and repairs performed on the Transmission Facilities.

16.4.2 Required Reports. The Executing Transmission Owner shall provide to RTO West, and subject to Section 21, RTO West shall provide to the Executing Transmission Owner, timely information, notices or reports regarding matters of mutual concern, including:

- (1) RTO West Transmission System emergencies, electric generation unit forced outages and other incidents affecting the RTO West Transmission System;
- (2) RTO West Transmission System planning studies, including studies prepared in connection with RTO West Transmission System interconnections or any Transmission Facility enhancement or expansion; and
- (3) Maintenance outage requests and yearly forecasts of planned maintenance outages.

16.4.3 Other Reports. RTO West may, upon reasonable notice to the Executing Transmission Owner, request that the Executing Transmission Owner provide RTO West with such other information or reports as RTO West reasonably may deem necessary for the operation of the RTO West Transmission System. The Executing Transmission Owner shall make all such information or reports available to RTO West within a reasonable time and in a form specified by RTO West.

17. Insurance, Indemnification and Limitation of Liability.

To promote cooperation between the Parties, to avoid duplication of costs and to carry out the purposes of this Agreement, the Parties concurrently with execution of this Agreement have executed the Agreement Limiting Liability Among RTO West Participants. RTO West shall ensure that all other Participating Transmission Owners also execute the forms of such

agreement as attached hereto as Exhibits K contemporaneously with their execution of their Transmission Operating Agreement.

18. Dispute Resolution.

18.1 Matters Subject to Dispute Resolution. The Dispute Resolution provisions of this Agreement may be invoked by either Party to resolve (1) any dispute arising under this Agreement or under the RTO West Tariff, except disputes relating to the rates charged by the Executing Transmission Owner; (2) challenges pursuant to Section 3.2 to agreements to be entered into by RTO West to create an Additional Participating Transmission Owner; and (3) any disputes over which provisions of any Transmission Agreement between the Executing Transmission Owner and any other Participating Transmission Owner should be suspended.

18.2 Preconditions to Arbitration.

18.2.1 Informal Settlement. Each Party shall make all reasonable efforts to settle all disputes governed by this Section. In the event any such dispute is not settled, either Party may request in writing that the manager of WRTA (or its successor organization) appoint an impartial facilitator to aid the Parties in reaching a mutually acceptable resolution to the dispute; the Parties shall request that such appointment shall be made within ten (10) calendar days of receipt of the request. The facilitator and representatives of the Parties with authority to settle the dispute shall meet within twenty-one (21) calendar days after the facilitator has been appointed to attempt to negotiate a resolution of the dispute. Settlement offers shall not be admissible in any subsequent Dispute Resolution process. With the consent of all Parties, resolution may include referring the matter to a technical body for resolution or for an advisory opinion.

18.2.2 Impasse. If the Parties have not succeeded in negotiating a resolution of the dispute within thirty (30) calendar days after first meeting with the facilitator or if the facilitator is not appointed within ten (10) calendar days pursuant to Section 18.2.1, unless otherwise agreed, the Parties shall be deemed to be at an impasse and any such disputing Party may commence the arbitration process provided hereunder by notice to the other Party. RTO West shall post on the RTO West Web Site notice of the commencement of such Dispute Resolution process with respect to any Participating Transmission Owner or Eligible Customer within forty-eight (48) hours after RTO West sends or receives such notice.

18.2.3 Statements of Dispute. Within fourteen (14) calendar days of a Party's request that the arbitration process be commenced, each Party shall submit a statement in writing to the other Party, which statement shall set forth in reasonable detail the nature of the dispute, the issues to be arbitrated, and the proposed arbitrator's award sought through such arbitration proceedings. To the extent the Parties do not agree on the terms of a required contract provision, each submittal shall include proposed contract language for those issues in dispute.

18.2.4 Selection of an Arbitrator. Within ten (10) calendar days following the submission of their statements, the Parties shall select an arbitrator familiar with and knowledgeable about the policies and criteria used in the Control Area, RTO West Transmission Systems and regulatory requirements. If the Parties cannot agree upon an arbitrator, or do not agree on a means of selecting an arbitrator that differs from that set forth herein, the Parties shall take turns striking names from a list of ten (10) qualified individuals supplied by the WRTA Arbitration Committee from the list maintained by the WRTA Board, with a Party chosen by lot first striking a name. The last remaining name not stricken shall be designated as the arbitrator.

If that individual is unable or unwilling to serve, the individual last stricken from the list shall be designated and the process repeated until an individual is selected who is able and willing to serve. Absent the express written consent of all Parties as to any particular individual, no person shall be eligible for selection as an arbitrator who is a past or present officer, member of the governing body, employee of or consultant to any of the Parties, or of an entity related to or affiliated with any of the Parties, or whose interests are otherwise affected by the matter to be arbitrated. Any individual designated as an arbitrator shall make known to the Parties any such disqualifying relationship, and a new arbitrator shall be designated in accordance with the provisions of this Section.

18.2.5 Party Option to Obtain Three Arbitrator Panel. As an alternative to selecting one arbitrator under Section 18.2.4, either Party may elect to constitute a three-member arbitration panel, and the other Party shall cooperate in the selection of such panel.

18.2.5.1 The Party so electing shall be responsible for the costs of two-thirds of the costs of the arbitration (but not including the disputing parties' costs associated with attorney and witness fees and expenses), regardless of the outcome of the arbitration, unless the disputing parties agree to an alternate method of allocating costs. The remaining one-third of the costs shall be allocated pursuant to the method established under Section 18.2.4.

18.2.5.2 Each arbitrator shall meet the independence requirements in Section 18.2.4.

18.2.5.3 Unless otherwise agreed by the Parties, the three arbitrators shall be selected in the following manner: (i) the WRTA arbitration committee shall provide to the Parties a list of fifteen (15) qualified individuals from the list maintained by the WRTA

board; (ii) the Parties shall take turns striking names from the list, with a Party chosen by lot first striking a name; and (iii) the three remaining names not stricken shall constitute the arbitration panel.

18.2.5.4 The arbitration panel shall decide all matters by majority vote.

18.2.5.5 All other procedures, rights and obligations set out in this Section 18 shall apply to the arbitration, and all references to the "arbitrator" also shall be deemed a reference to the three-member arbitration panel so chosen.

18.2.6 Procedural Rules. The arbitrator shall determine discovery procedures, compliance with intervention requirements, how evidence shall be taken, what written submittals may be made and other such procedural matters, taking into account the complexity of the issues involved, the extent to which factual matters are disputed and the extent to which the credibility of witnesses is relevant to a resolution of the dispute. Intervenors shall have the same procedural rights as parties to the dispute. Each party to the dispute shall produce all evidence determined by the arbitrator to be relevant to the issues presented. To the extent such evidence involves proprietary or confidential information, the arbitrator shall issue an appropriate protective order which shall be complied with by all parties to the dispute. The arbitrator may elect to resolve the arbitration matter solely on the basis of written evidence and arguments.

18.2.7 Intervention. The arbitrator shall admit as intervenors in the Dispute Resolution process any party that requests intervention and demonstrates to the arbitrator good cause for intervention. Absent the agreement to the contrary of all parties, no party shall be permitted to intervene unless, as a condition of its intervention, it agrees to be bound by the

provisions of this Section in regard to the arbitration, including the provisions related to deference on appeal to the FERC set forth in Section 18.5 and to deference on appeal to a Canadian Regulatory Authority set forth in Section 18.6. A Participating Transmission Owner shall not be disallowed from intervening solely on the basis that its principal place of business is not located in the nation in which the other party's principal place of business is located. Any entity shall be entitled to intervene as a matter of right in any arbitration involving the Transmission Facilities of such entity or if electrical energy to be bought or sold by such entity is to be transmitted over the facilities at issue in the arbitration, and shall be deemed to have standing as a party to any appeal of any such arbitration.

18.2.8 Evidence. The arbitrator shall take evidence submitted by the disputing parties in accordance with procedures established by the arbitrator and may request additional information, including the opinion of recognized technical bodies. All disputing parties shall be afforded a reasonable opportunity to rebut any such additional information. Other affected entities may request in writing that the arbitrator consider additional information, and the arbitrator may consider such additional information, subject to a right of the disputing parties to have a reasonable opportunity to rebut such additional information.

18.3 Substantive Standards and Decision. As soon as practicable but in no event later than one hundred fifteen (115) calendar days of his or her selection as arbitrator, the arbitrator shall select, by written notice to the disputing parties, the proposed award of a disputing party which best meets the terms and intent of this Agreement, of any provisions of the RTO West Tariff not inconsistent with this Agreement; other applicable agreements, laws or regulations; or applicable technical standards and criteria not inconsistent with this Agreement

and any other policies or determinations by the arbitrator not inconsistent with this Agreement; provided, however, if the arbitrator concludes that no proposed award is consistent with the above considerations or that no proposed award addresses all issues in dispute, the arbitrator shall specify how each proposed award is deficient and request that the disputing parties submit new proposed awards that cure the deficiency perceived by the arbitrator. A written decision, including specific findings of fact, explaining the basis for the award shall be provided by the arbitrator with the written notice to the disputing parties. Awards shall be based only on the evidence on the record before the arbitrator. No award that is not appealed shall be deemed to be precedential in any other arbitration related to a different dispute.

18.4 Compliance and Costs.

18.4.1 Compliance with the Arbitrator's Award. Immediately upon the decision by the arbitrator, except during the period of appeal as provided for in Sections 18.5 or 18.6, the disputing parties shall commence to take, and thereafter diligently prosecute to completion, whatever action is required to comply with the selected award to the extent the selected award does not require regulatory action. To the extent the award requires approval or regulatory action by a local, tribal, state, federal or provincial body of competent jurisdiction; FERC review of an award involving a federal power marketing agency; or a FERC filing by a transmission provider subject to Sections 205 or 206 of the Federal Power Act, 16 USC §§824 d. and e.; or a Canadian Regulatory Authority filing by a Canadian Participating Transmission Owner; the affected disputing party shall promptly submit and support that portion of the award with the appropriate authority except as provided in Section 18.5 or Section 18.6. Any and all costs associated with the arbitration (but not including the disputing parties' costs associated

with attorney and witness fees) shall be borne by the disputing party or parties whose proposed award was not selected, unless the disputing parties agree to an alternate method of allocating costs, or unless the arbitrator determines it would be appropriate to allocate all or a portion of such costs to one or more intervenors.

18.4.2 Effect of Award. Except for it not being precedential in other arbitrations and except for an award involving transmission facilities in Canada, an award that is not appealed shall be deemed to have the same force and effect as an order entered by the FERC pursuant to the FPA or applicable authority where the FERC has no jurisdiction, and, with respect to any request for interconnection or Transmission Services, the parties to the arbitration shall be deemed to have been proceeding under the FPA or applicable authority where the FERC has no jurisdiction.

18.5 Appeal in the United States of America.

18.5.1 Grounds for Appeal. Within thirty (30) calendar days of the issuance of any arbitration award, any party to an arbitration may apply to the FERC to hear an appeal of such award with respect to matters to which the FERC has jurisdiction, or to a court of competent jurisdiction when FERC has no jurisdiction, but only upon the grounds that the award is contrary to or beyond the scope of this Agreement or is unjust, unreasonable, unduly discriminatory or preferential or otherwise inconsistent with the FPA or the FERC's then applicable standards or policies or applicable law. Any appeal to the FERC shall be based solely upon the record assembled by the arbitrator; provided however, that any order by an arbitrator excluding material from the arbitration record or any ruling that is alleged to violate due process may be explicitly appealed to the FERC by a party as a part of an appeal under this Section 18.5.

Parties to arbitrations agree that (1) the FERC should afford substantial deference to the factual findings of the arbitrator; (2) the portion, if any, of the award relating to issues not of first impression (i.e., matters previously decided by the FERC or a court of competent jurisdiction in cases involving comparable facts and circumstances) should be afforded appropriate deference by the FERC; and (3) the portion, if any, of the award relating to issues of first impression should be afforded no deference by the FERC. Implementation of the award shall be stayed pending an appeal to FERC unless and until, at the request of a disputing party, the FERC issues an order shortening or extending the stay.

18.5.2 No Expansion of Factual Record. No party to an arbitration shall seek to expand the factual record before the FERC beyond that assembled by the arbitrator, except that any party to an arbitration may submit such additional evidence or argument as may be needed to respond to new evidence or arguments raised by intervenors before the FERC who were not parties to the arbitration.

18.6 Canadian Review of Arbitration Awards.

18.6.1 Canadian Facilities. In a dispute involving transmission facilities within Canada or interconnection or transmission service provided through such facilities, a party may elect to utilize the procedures of this Section 18.6.

18.6.2 Canadian Appeal. Any party to an arbitration involving transmission facilities within Canada may apply to the appropriate Canadian Regulatory Authority or, where no Canadian Regulatory Authority has jurisdiction, to the appropriate Canadian court, to hear an appeal of any award with respect to such facilities only upon the grounds that the award is contrary to or beyond the scope of this Agreement or is unjust, unreasonable, unduly

discriminatory or preferential or otherwise inconsistent with applicable Canadian laws or with then applicable standards or policies of the appropriate Canadian Regulatory Authority.

18.6.3 Canadian Appeal Record. Any appeal to a Canadian Regulatory Authority (or Canadian court) by a party to an arbitration involving transmission facilities within Canada shall be based solely upon the record assembled by the arbitrator; provided, however, that any order by an arbitrator excluding material from the arbitration record or that is alleged to violate due process may be explicitly appealed to the Canadian Regulatory Authority (or Canadian court) by a party as part of an appeal under this Section 18.6. The Parties agree that (1) the Canadian Regulatory Authority (or Canadian court) should afford substantial deference to the factual findings of the arbitrator; (2) the portion, if any, of the award relating to issues not of first impression (i.e., matters previously decided by the Canadian Regulatory Authority or a court of competent jurisdiction in cases involving comparable facts and circumstances) should be afforded appropriate deference by the Canadian Regulatory Authority (or Canadian court) and (3) the portion, if any, of the award relating to issues of first impressions should be afforded no deference by the Canadian Regulatory Authority (or Canadian court); provided, however, that nothing in this provision is intended to limit the ability of a Canadian Regulatory Authority (or Canadian court) on its own initiative to review an award, should it determine that the award affects a matter within its jurisdiction.

18.6.4 Canadian Appeal Proceeding. If any party desires to appeal an award, it shall provide written notice to that effect to all other Parties and to the arbitrator within fourteen (14) calendar days following the date of the award. If such notice of appeal is timely provided:

(1) Within fourteen (14) calendar days of the date of such first notice of appeal, the party providing such notice shall file its statement of position regarding the appeal with the Canadian Regulatory Authority (or Canadian court), together with the complete evidentiary record of the arbitration and a copy of the award.

(2) Within thirty (30) calendar days of the date of such first notice of appeal, any other party that was a party to the arbitration may file its statement of position regarding the appeal with the Canadian Regulatory Authority (or Canadian court).

(3) Copies of all materials filed with the Canadian Regulatory Authority (or Canadian court) by a party during the course of an appeal shall be delivered to all other Parties.

(4) Implementation of the award shall be deemed stayed pending an appeal unless and until, at the request of a disputing party, the Canadian Regulatory Authority (or Canadian court) issues an order shortening or extending such stay.

(5) The Parties intend that Canadian Regulatory Authority (or Canadian court) orders resulting from appeals shall be subject to judicial review pursuant to applicable Canadian laws.

18.6.5 Review on Initiative of Canadian Regulatory Authority. An award involving Transmission Facilities within Canada shall be filed with the appropriate Canadian Regulatory Authority within ten (10) calendar days after its issuance. The Canadian Regulatory Authority may thereafter determine whether to review the award on its own initiative, take such other action as it may deem appropriate or take no action with respect to the award. Should the Canadian Regulatory Authority take no action regarding the award within such thirty (30) calendar day period, the parties to the arbitration are entitled to assume that the Canadian

Regulatory Authority intends to take no action in its own initiative to review the award. Should the Canadian Regulatory Authority issue an order under this Section 18.6.5 initiating a review of the award within such thirty (30) calendar day period, the effectiveness of the award shall be stayed pending a final order of the Canadian Regulatory Authority regarding the award.

18.7 Judicial Enforcement. Subject to the right of any party to appeal to and exhaustion of remedies at FERC or at a Canadian Regulatory Authority (or Canadian court), as provided in Sections 18.5 and 18.6, any party shall be entitled to seek enforcement of the award in any court of competent jurisdiction.

19. Uncontrollable Force.

A Party shall not be in breach of this Agreement as a result of such Party's failure to perform its obligations under this Agreement when such failure is caused by an Uncontrollable Force that such Party, despite the exercise of due diligence, is unable to remove with reasonable dispatch; provided, however, that such Party shall have the right to suspend performance of such obligations only to the extent and for the duration that the Uncontrollable Force actually and reasonably prevents the performance of such obligations by such Party. In the event of the occurrence of an Uncontrollable Force that prevents a Party from performing any of its obligations under this Agreement, such Party shall (1) immediately notify the other Party of such Uncontrollable Force with such notice to be confirmed in writing as soon as reasonably practicable; (2) use its best efforts to mitigate the effects of such Uncontrollable Force, remedy its inability to perform and resume full performance of its obligations hereunder; (3) keep the other Party apprised of such efforts on an ongoing basis; and (4) provide written notice of the resumption of performance hereunder. Notwithstanding any of the foregoing, the settlement of

any strike, lockout or labor dispute constituting an Uncontrollable Force shall be within the sole discretion of the Party to this Agreement involved in such strike, lockout or labor dispute; and the requirement that a Party must use its best efforts to remedy the cause of the Uncontrollable Force and/or mitigate its effects and resume full performance hereunder shall not apply to strikes, lockouts or labor disputes.

20. Assignments and Conveyances.

20.1 Successors and Assigns. This Agreement is binding on and shall inure to the benefit of the Parties and their respective successors, permitted assigns and legal representatives.

20.2 Assignment of RTO West's Rights and Obligations. Except as otherwise provided in Section 20.5, RTO West shall not, without the prior written consent of the Executing Transmission Owner, assign, pledge or transfer all or any part of, or any right or obligation under, this Agreement, whether voluntarily or by operation of law.

20.3 Assignment of the Executing Transmission Owner's Rights and Obligations. Except as otherwise provided in Section 20.5, the Executing Transmission Owner shall not, without the prior written consent of RTO West, assign, pledge or transfer all or any part of, or any right or obligation under, this Agreement, whether voluntarily or by operation of law; provided, however, that the Executing Transmission Owner may, without the consent of RTO West but subject to Section 20.4, assign its rights and obligations under this Agreement to any person or entity (1) into which the Executing Transmission Owner is merged or consolidated or (2) to which the Executing Transmission Owner sells, transfers or assigns all or substantially all of the Transmission Facilities, so long as the survivor in any such merger or consolidation, or the purchaser, transferee or assignee of such Transmission Facilities provides to RTO West a valid

and binding written agreement expressly assuming and agreeing to be bound by all obligations of the Executing Transmission Owner under this Agreement.

20.4 Transfer of Transmission Facilities. Unless otherwise approved by RTO West in writing, the Executing Transmission Owner shall not sell, transfer or assign all or any portion of the Transmission Facilities used or useful to the provision of Transmission Services hereunder unless (1) the purchaser, transferee or assignee provides to RTO West a valid and binding written agreement expressly assuming and agreeing to be bound by all obligations of the Executing Transmission Owner under this Agreement with respect to the sold, transferred or assigned Transmission Facilities or (2) RTO West and the transferee have entered into an agreement comparable to this Agreement with respect to the sold, transferred or assigned Transmission Facilities.

20.5 Assignment for Security Purposes. Notwithstanding any other provision of this Agreement, (1) the Executing Transmission Owner may, without RTO West's consent, pledge or assign all or any portion of the Transmission Facilities for financing purposes and (2) either Party may, without the consent of the other, pledge or assign all or any portion of its proceeds or receivables under this Agreement for financing purposes.

20.6 Effect of Permitted Assignment. In the event of any permitted sale, transfer or assignment hereunder, the transferor or assignor shall to the extent of the transferred or assigned obligations, and only to such extent, be relieved of obligations accruing from and after the effective date of such transfer or assignment; provided, however, that (1) under no circumstances shall any sale, transfer or assignment relieve the transferor or assignor of any liability for any breach of this Agreement occurring prior to the effective date of such transfer or assignment; (2)

the provisions of Sections 4.2 and 4.3 (and the related Dispute Resolution provisions of Section 18) shall continue to apply with respect to any portion of the Electric System retained by the assignor; (3) the provisions of Sections 6.2 and 6.3 will continue to apply with respect to any Non-Converted Transmission Agreements retained by the assignor, (4) the obligations of Section 7 with respect to the provision of Ancillary Services shall continue to apply with respect to any electric generation facilities retained by the assignor, and (5) any other provisions of this Agreement that would otherwise apply with respect to the Electric System or to the electric generation facilities under this Agreement will continue to apply to the assignor for so long as it retains such facilities.

. **20.7 Consent Not Unreasonably Denied or Delayed.** Consents to assignment, pledge or transfer requested pursuant to this Section 20 shall not be unreasonably denied or delayed.

21. RTO West's Confidentiality Obligations.

21.1 Protection of Confidential Information. RTO West shall maintain the confidentiality of all Confidential Information of the Executing Transmission Owner provided to RTO West pursuant to this Agreement; provided, however, that RTO West shall be entitled to disclose such Confidential Information (1) if RTO West determines that such Confidential Information must be disclosed to avert unplanned RTO West Transmission System service interruptions or to more speedily restore RTO West Transmission System service or (2) if RTO West is required to make such disclosure by administrative or judicial order.

21.2 Disclosure Pursuant to Administrative or Judicial Order. RTO West shall promptly, and in any event before any disclosure pursuant to Section 21.1, notify the Executing Transmission Owner of any petition for or requirement by administrative or judicial order for RTO West to disclose Confidential Information of the Executing Transmission Owner to any third party. The Executing Transmission Owner may, in its sole discretion and at its sole cost and expense, undertake any challenge to such disclosure. RTO West shall reasonably cooperate with the Executing Transmission Owner, at the Executing Transmission Owner's sole cost and expense, to minimize or eliminate any such disclosure requirement consistent with applicable law and to obtain proprietary or confidential treatment of Confidential Information by any person to whom such information is disclosed pursuant to Section 21.1.

22. Open Architecture. With respect to facilities owned or otherwise controlled by the Executing Transmission Owner, the Executing Transmission Owner shall have the right to unilaterally request approval from the FERC to perform additional regional transmission organization functions and responsibilities reserved by the FERC for performance by entities

meeting independence criteria established by the FERC. To the extent such requests are approved by the FERC, this Agreement shall be amended accordingly, and the RTO West Tariff and other governing documents shall be amended as required to conform to the new grant of authority or responsibility. If appropriate and necessary to codify the new functions and responsibilities, the Executing Transmission Owner shall submit for FERC approval a separate tariff codifying the functions and responsibilities to be performed by the Executing Transmission Owner on the facilities it owns or otherwise controls. Notwithstanding the most favored nations provisions of Section 3.3 of this Agreement, any other Executing Transmission Owner seeking comparable functions and responsibilities for its facilities shall be required to separately seek such approval from the FERC before receiving comparable functions and responsibilities.

23. Miscellaneous.

23.1 Notices.

23.1.1 Permitted Methods of Notice. Any notice, demand or request in accordance with this Agreement, unless otherwise provided in this Agreement, shall be in writing and shall be deemed properly served, given, or made to the address of the receiving Party set forth below (1) upon delivery if delivered in person; (2) upon execution of the return receipt, if sent by registered United States or Canadian mail, postage prepaid, return receipt requested; or (3) upon delivery if delivered by prepaid commercial courier service.

The address of RTO West shall be:

Attn: _____

The address of the Executing Transmission Owner shall be:

Attn: _____

23.1.2 Change of Notice Address. Either Party may at any time, by notice to the other Party, change the designation or address of the person specified to receive notice on its behalf.

23.1.3 Routine Notices. Any notice of a routine character in connection with service under this Agreement or in connection with the operation of facilities shall be given in such a manner as the Parties may determine from time to time, unless otherwise provided in this Agreement.

23.2 Amendment. This Agreement may not be modified by either Party except by subsequent mutual written agreement, duly executed by the Parties.

23.3 Construction of Agreement. Ambiguities or uncertainties in the wording of this Agreement shall not be construed for or against any Party, but shall be construed in a manner that most accurately reflects the purpose of this Agreement and the nature of the rights and obligations of the Parties with respect to the matter being construed.

23.4 Integration. This Agreement, including the exhibits hereto, constitutes the complete agreement of the Parties and supersedes all prior or contemporaneous representations, statements, negotiations, understandings and inducements with respect to the subject matter hereof.

23.5 Existing Agreements Preserved. Nothing in this Agreement shall be interpreted to supersede the requirements of any existing agreement unless otherwise expressly stated herein.

23.6 Governing Law. This Agreement shall in all respects be interpreted, construed and enforced in accordance with the laws of the State of Washington, except to the extent that such laws may be preempted by the laws of the United States or of Canada, as applicable; provided, however, that notwithstanding the foregoing, if the Executing Transmission Owner is a United States government entity (including, but not limited to, a federal power marketing administration), this Agreement shall in all respects be interpreted, construed and enforced in accordance with the laws of the United States.

23.7 Severability. The rights of each Party shall be as set forth in Section 2.1 if this Agreement (1) is not accepted for filing or approved by the FERC; (2) is accepted for filing or approved by the FERC with changes unacceptable to either Party; or (3) is accepted for filing or approved by the FERC, but such acceptance or approval is, as a result of judicial review, subsequently reversed or modified in a manner unacceptable to either Party. If this Agreement is not rendered void in accordance with the provisions of Section 2.1, and thereafter any term, covenant, or condition of this Agreement or the application or effect of any such term, covenant, or condition is held invalid as to any person, entity or circumstance, or is determined to be

unjust, unreasonable, unlawful, imprudent or otherwise not in the public interest by any court or government agency of competent jurisdiction, then such term, covenant or condition shall remain in force and effect to the maximum extent not prohibited by law, and all other terms, covenants and conditions of this Agreement, and the application thereof, shall not be affected thereby, but shall remain in force and effect, and the Parties shall be relieved of their obligations only to the extent necessary to eliminate such regulatory or other determination unless a court or governmental agency of competent jurisdiction holds that such provisions are not separable from all other provisions of this Agreement.

23.8 Equitable Relief. *If the Executing Transmission Owner seeks injunctive or other equitable judicial relief for the failure of RTO West to comply with its obligations to the Executing Transmission Owner under this Agreement, RTO West agrees not to challenge such action on the basis that monetary damages would be a sufficient remedy.*

23.9 Singular and Plural; Use of “Or.” Any use of the singular in this Agreement also includes the plural and any use of the plural also includes the singular, and references to “or” shall be deemed to be disjunctive but not necessarily exclusive.

23.10 Headings for Convenience Only. The section headings in this Agreement are intended for convenience and reference only and are not intended to define, limit or describe the scope or intent of any provisions of this Agreement.

23.11 Relationship of the Parties.

23.11.1 No Partnership, Etc. Nothing contained in this Agreement shall be construed to create an association, joint venture, trust or partnership or to impose a trust or partnership covenant, obligation or liability on or with regard to either of the Parties. Each Party

shall be individually responsible for its own covenants, obligations and liabilities under this Agreement.

23.11.2 Rights Several. All rights of the Parties are several, not joint. Except as expressly provided in this Agreement, neither Party shall have a right or power to bind the other Party without such Party's express written consent.

23.12 No Third-Party Beneficiaries. Except for the rights of intervenors as specified in Section 18, this Agreement shall not be construed to create rights in, or to grant remedies to, any third party as a beneficiary of this Agreement or of any duty, obligation or undertaking established herein.

23.13 No Dedication of Facilities. No undertaking by either Party to the other Party under or pursuant to any provision of this Agreement shall constitute or be deemed to constitute a dedication of all or any portion of the RTO West Transmission System to RTO West, to the Executing Transmission Owner or to the public.

23.14 Nonwaiver. Any waiver at any time by any Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, shall not constitute or be deemed a waiver with respect to any other default or other matter arising in connection with this Agreement. Any waiver must be delivered in writing, executed by an authorized representative of the Party granting such waiver. Any delay short of the statutory period of limitations in asserting or enforcing any right shall not constitute or be deemed a waiver.

23.15 Exhibits Incorporated. The several exhibits to this Agreement, as they may be revised from time to time, are attached to this Agreement and are incorporated by reference as if herein fully set forth.

23.16 Further Actions and Documents. Each Party agrees to do all things, including, but not limited to, the preparation, execution, delivery, filing and recording of any instruments or agreements reasonably requested by the other Party to carry out the provisions of this Agreement.

23.17 Counterparts. This Agreement may be executed in counterparts, which may be executed at different times. Each counterpart shall constitute an original but both counterparts together shall constitute one and the same instrument.

23.18 Governing Agreement. In the event of a conflict between the terms of this Agreement and the terms of (1) RTO West Tariff or (2) the Executing Transmission Owner Rate Schedules, the terms of this Agreement shall govern.

24. Retail Power Deliveries on Transmission Facilities. [OPTIONAL LANGUAGE IF ELECTED BY THE EXECUTING TRANSMISSION OWNER]. RTO West agrees that it will not use the Transmission Facilities of the Executing Transmission Owner to deliver service to or on behalf of end use customers if the FERC would be prohibited from ordering such service under Section 212(h) of the Federal Power Act unless (1) unbundled retail transmission access to such customer is required by an authority of competent jurisdiction under federal, state, provincial, local or tribal law; (2) such end use customer is an "existing direct service industrial customer" of the Bonneville Power Administration as defined in Section 5(d)(4)(A) of the Northwest Power Act (16 U.S.C § 839c(d)(4)(A)) or a successor in interest to such customer so

as to qualify for service under Section 5(d), unless such service is prohibited by federal law; or
(3) unbundled retail transmission access to such customer has been agreed to by the retail utility
that formerly served the end use customer.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed in
their respective names.

RTO WEST

[Executing Transmission Owner]

By:
Title:

By:
Title:

EXHIBIT A

SCHEDULE OF DEFINITIONS

“Access Charge” means that charge by RTO West to access the RTO West Transmission System, as described in Sections 15.2 and 14.3 and Exhibit H and in the RTO West Tariff.

“Additional Participating Transmission Owner” means any Participating Transmission Owner that is not an Initial Participating Transmission Owner.

“Agreement Limiting Liability Among RTO West Participants” means the agreement, the form of which is attached as Exhibit K.

“Agreement to Suspend Provisions of Pre-Existing Transmission Agreements” means the agreement, the form of which is attached as Exhibit I.

“Ancillary Services” means all services as RTO West may offer to support the use of its Transmission Services, and which shall include all ancillary services a transmission provider is required by FERC to provide, while maintaining reliable operation of the RTO West Transmission System in accordance with Good Utility Practice.

“Black Start Service” means that Ancillary Service needed to restart electric generation facilities following a forced outage of such facilities.

“Canadian Regulatory Authority” means the agency or agencies established under the laws of Canada or the applicable provinces of Canada and having jurisdiction over facilities, interconnections, transmission rates, charges, terms and conditions of service of a Canadian Participating Transmission Owner.

“Company Billing Determinants” means those billing determinants for calculating the Company Loads to which Company Rates will apply, in such amount and calculated in such

manner as proposed by the Executing Transmission Owner and accepted for filing or approved by the FERC.

"Company Costs" means the costs of the Executing Transmission Owner incurred in connection with the ownership and operation of the Transmission Facilities, including any applicable performance or incentive payments, as the Executing Transmission Owner may propose and the FERC may accept for filing or approve. Company Costs shall not include (1) any Transfer Payments to be made or to be received by the Executing Transmission Owner or (2) any payment or receipt of Transmission Facility Cost Sharing Payments allocated under the RTO West Tariff. Company Costs shall be reduced by any Lost Revenue Recovery Amounts applicable to the Executing Transmission Owner.

"Company Loads" means, if the Executing Transmission Owner is the Bonneville Power Administration or a "public utility" as defined by the Federal Power Act, those loads interconnected with the Electric System of the Executing Transmission Owner; provided that loads served under General Transfer Agreements (including loads served through new delivery points but not loads served in additional service territories annexed after the date of this Agreement) shall be deemed the Company Loads of the Executing Transmission Owner taking service for such loads under the applicable General Transfer Agreement. **[Notes: (1) The Transmission Operating Agreement with TransConnect, LLC will need to define Company Loads with respect to the Electric Facilities of the public utilities that have contributed their Transmission Facilities to TransConnect, LLC. TransConnect, LLC may reserve the right either to retain each of the individual public utility Company Loads and Company Rates or to merge the Company Loads and Company Rates of some or all of the public**

utilities that contributed Transmission Facilities. (2) The Applicants expect the Transmission Operating Agreement for Canadian Entities to be executed by a Canadian transmission grid operator. Canadian entities participating through such grid operator collectively will have a Company Rate or Company Rates. The Canadian entities may decide whether to subdivide a Canadian Company Rate into individual Canadian utility Company Rates. (3) Non-FERC jurisdictional transmission owners located in the United States, other than the Bonneville Power Administration, that execute a Transmission Operating Agreement will not be required to file their Company Costs with the FERC and will not have a separate Company Rate. Instead, such entities will pay the Company Rate of the Participating Transmission Owner whose rate was applicable prior to execution by such entity of the Transmission Operating Agreement.]

"Company Rate Period" means the period commencing on the Transmission Service Commencement Date and extending through December 14, 2011.

"Company Rates" means rates charged to the Company Loads, determined as specified in Exhibit G.

"Confidential Information" means any documents, data or other information received by a Party from the other Party, whether in written, oral or machine readable form, (1) that the provider has identified in writing to be confidential and (2) that (i) would produce a commercial disadvantage to the providing Party if disclosed or (ii) is confidential under Article 9, Section 9.4 of the RTO West bylaws, provided that Confidential Information shall not include (1) information subject to disclosure on the RTO West Web Site pursuant to the RTO West Tariff; (2) information that becomes available to the public on a nonconfidential basis, other than as a

result of the disclosing Party's breach of its confidentiality obligations; (3) information received by the disclosing Party from a third party without claim of confidentiality; or (4) information independently developed by the disclosing Party.

"Congestion Zones" means those zones established by RTO West from time to time in the RTO West Tariff within which Firm Transmission Rights shall not be required in order to schedule the transmission of electric power and energy.

"Control Area" means, unless otherwise defined in the RTO West Tariff, an electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to (1) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s); (2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice; (3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and (4) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

"Dispute Resolution" means that process for resolving disputes set forth in Section 18.

"Electric System" means a single integrated electric power grid usually characterized by ownership, rental, lease, control or operation by a single person or entity. An "Electric System" consists of electric distribution facilities or transmission facilities, or any combination thereof, and includes transmission lines, distribution lines, substations, switching stations and all associated equipment for transmitting or distributing the flow of power. The term "Electric System" shall include any devices or equipment by which information is originated on an electric

system or by the person operating such system, by which such information is transmitted and by which such information is received either for information or for operation of the system.

"Electric Utility" means (1) a "public utility" as defined by the Federal Power Act, (2) a municipal electric utility, (3) a cooperative public utility formed under applicable state law, (4) a public utility district, (5) a peoples utility district, (6) a federal power marketing agency (7) a joint operating entity as defined in P.L. 106-273 or (8) a public utility or utility cooperative formed under applicable tribal law.

"Eligible Customer" means an Eligible Customer as defined in the RTO West Tariff, as amended from time to time.

"Excess FTR Revenue Allocation" means the allocation among Participating Transmission Owners of revenues granted pursuant to Section 15.1.3 from the sale of Firm Transmission Rights granted to each Participating Transmission Owner to replace ownership and contract rights to firm transmission capability for which there are no remaining firm rights of use under Pre-Existing Transmission Agreements, as such allocation is set out in Exhibit G.

"Executing Transmission Owner" means the Transmission Owner executing this Agreement and its successors and assignees.

"Executing Transmission Owner Rate Schedules" means the Executing Transmission Owners' rate schedules established pursuant to Section 13 and applicable to RTO West's use of the Transmission Facilities, and for any other services provided by the Executing Transmission Owner to RTO West pursuant to this Agreement.

"Federal Power Act" or "FPA" means the Federal Power Act, 16 USC § 824, et seq., as amended.

“FERC” means the Federal Energy Regulatory Commission, or any successor thereto.

"Firm Transmission Right" means the right to schedule, on a firm basis, one megawatt of electric power and energy over a particular Flowpath in one direction for a particular hour and which schedule may not be cut except for reasons of Uncontrollable Force.

"Flowpath" means one or more RTO West Controlled Transmission System facilities for which transmission use is managed through requiring Firm Transmission Rights in order to schedule in a particular direction.

“General Transfer Agreements” mean (1) Agreement numbers DE-MS79-89BP92383 and DE-MS79-90BP92853 between Idaho Power Company and the Bonneville Power Administration, (2) Agreement number DE-MS79-85BP91989 between Montana Power Company and the Bonneville Power Administration, (3) Agreement numbers DE-MS79-79BP90000 and DE-MS79-88BP92436 between Sierra Pacific Power Company and the Bonneville Power Administration, (4) Agreement number DE-MS79-88BP92287 between Utah Power & Light Company (now PacifiCorp) and the Bonneville Power Administration, (5) Agreement numbers DE-MS79-86BP91970, 14-03-99107, 96MS-95114 and DE-MS79-90BP93116 between The Washington Water Power Company (now Avista) and the Bonneville Power Administration, (6) Agreement numbers DE-MS79-82BP90049 and DE-MS79-88BP92458 between PacifiCorp and the Bonneville Power Administration, (7) Agreement number DE-MS79-89BP92384 between Portland General Electric Company and the Bonneville Power Administration, and (8) Agreement numbers 14-03-37043, 14-03-49101, 14-03-75365 and 14-03-75628 between Puget Sound Power & Light Company (now Puget Sound Energy) and the Bonneville Power Administration.

“Generation Integration Agreement” means an RTO West agreement substantially in the form of the agreement identified as a Generation Integration Agreement and attached as a service agreement to the RTO West Tariff.

"Generation Owner" means a third-party owner of an electric generation facility interconnected or to be interconnected with the Electric System of the Executing Transmission Owner.

“Good Utility Practice” means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be any one of a number of the optimum practices, methods or acts to the exclusion of all others.

“Initial Participating Transmission Owners” means those Participating Transmission Owners specified as such in the recitals to this Agreement.

“Load Integration Agreement” means an RTO West agreement substantially in the form of the agreement identified as a Load Integration Agreement and attached as a service agreement to the RTO West Tariff.

"Load Service Obligation" means service to loads connected to the Executing Transmission Owner's Transmission System.

"Lost Revenue Recovery Amount" means the amounts as set forth for each Participating Transmission Owner in Exhibit H to compensate such Participating Transmission

Owner for pre-RTO levels of short-term and nonfirm wheeling revenues that cannot be recovered through Transfer Charges.

“**NERC**” means the North American Electric Reliability Council or its successor organization.

"Non-Converted Transmission Agreement" means a Pre-Existing Transmission Agreement, if and to the extent that the firm Transmission Service rights thereunder have not been suspended.

"Northwest Power Act" means the Pacific Northwest Electric Power Planning and Conservation Act, Public Law No. 96-501.

"NRC" means the Nuclear Regulatory Commission, or its successor.

“**OASIS**” means an open access same-time information system as prescribed by the FERC or any successor or revised system to OASIS prescribed by the FERC.

“**Operational Control**” means the rights of RTO West under this Agreement and under the RTO West Tariff to direct the Executing Transmission Owner to operate the RTO West Controlled Transmission Facilities for the purpose of affording comparable nondiscriminatory transmission access and meeting applicable reliability criteria for the RTO West Transmission System.

"Pacific Northwest" means the "Pacific Northwest" as defined in the Northwest Power Act.

“**Participating Transmission Owner**” means any Transmission Owner that has executed a Transmission Operating Agreement with RTO West, which agreement remains in effect, as well as the successors and assignees of such owner.

"Paying Agent Agreement" means the Paying Agent Agreement among RTO West and the Initial Participating Transmission Owners, executed concurrently with this Agreement, as amended from time to time, the form of which is attached as Exhibit J.

"Pre-existing Transmission Agreements" means those Transmission Agreements *and obligations*, including those with the merchant function of the Executing Transmission Owner, in effect immediately prior to the Transmission Service Commencement Date.

"Receiving Transmission Owner" means, when used in Exhibit G, the Participating Transmission Owner entitled to receive an Excess FTR Revenue Allocation, prior to the application of such revenues as set forth in Exhibit G.

"Remedial Action Scheme" means protective systems that typically utilize a combination of status and quantity detectors, conventional protective relays, computer-based processors or other logic devices, telecommunications, and the electric generation facilities, loads and other facilities that may be affected, to accomplish rapid, automated response to unplanned power system events.

"Rollover Rights" means the right to extend a Pre-Existing Transmission Agreement for the extension period selected by the holder of rights under such agreement, subject to the right-of-first-refusal limitations as set forth in Section 2.2 of the FERC's prescribed form of Open Access Transmission Tariff.

"RTO West Controlled Transmission Facilities" means those Transmission Facilities specified in Exhibit D, which are those Transmission Facilities over which RTO West shall exercise Operational Control. Unless the FERC approves an exception, the Transmission Facilities specified in Exhibit D shall include all Transmission Facilities that have a material

impact on (1) transfer capabilities of RTO West managed constraint paths between its Congestion Zones, (2) the ability to transfer electric power and energy within a Congestion Zone or (3) the ability to transfer electric power into or out of the RTO West Transmission System. A Transmission Facility shall be deemed to have a material impact on transfer capabilities between Congestion Zones or into or out of the RTO West Transmission System if such transfer capabilities would change if the Transmission Facility were removed. A Transmission Facility shall be deemed to have a material impact on transfer capabilities within a Congestion Zone if such Transmission Facility carries ten percent (10%) or more of the electric power transferred through parallel paths through such Congestion Zone. The classification of the low-voltage side of a transformer shall determine whether such transformer shall be included in Exhibit D, and substation facilities related to a transformer shall be included in Exhibit D if the transformer is included in Exhibit D. The Executing Transmission Owner shall not be required to include in Exhibit D those Transmission Facilities that are radial to load.

"RTO West Controlled Transmission System" means the RTO West Controlled Transmission Facilities plus the RTO West Controlled Transmission Facilities as specified in all other Transmission Operating Agreements with Participating Transmission Owners.

"RTO West Critical Control Facilities" means those protective relay systems and Remedial Action Schemes specified in Exhibit E for which RTO West requires more direct control than as otherwise provided herein through the Operational Control of RTO West Controlled Transmission Facilities. Such more direct control may include, as specified for specific facilities in Exhibit E, automatic control, supervision control or other forms of control, including the ability to provide control direction by voice.

“RTO West Tariff” means the tariff for the provision of Transmission Services by RTO West, including Ancillary Services, as accepted for filing or approved by the FERC.

“RTO West Transmission System” means the Transmission Facilities, plus the “Transmission Facilities” as set forth in all other Transmission Operating Agreements with Participating Transmission Owners.

"RTO West Web Site" means an internet site through which RTO West will make available to market participants transmission system data, system demand data, system conditions, auction data, aggregated market data and other information as defined by RTO West.

" Scheduling, System Control and Dispatch Services" means "Scheduling, System Control and Dispatch Services" as defined in the form of Open Access Transmission Tariff required by the FERC.

“Security Coordinator” means an entity carrying out the duties of a “Security Coordinator” as described in the WSCC document “WSCC Regional Security Plan.”

"Self-Provision" means provision of the electric generation capacity for use by RTO West to meet its overall Ancillary Services requirements, which provision shall exempt the provider from paying the RTO West charges for Ancillary Services in the amount of electric generation capacity so provided.

"Self-Tracking" means the use by a transmission customer of electric generation resources it controls to meet its own Ancillary Services requirements, including the matching of electric generation to load within an RTO West defined time period.

“Stranded Costs” means any amounts charged by a Participating Transmission Owner to RTO West pursuant to Section 13.4 (1) for the recovery of power costs that the Participating

Transmission Owner is unable to fully recover through its revenues for the sale of power or (2) for the recovery of any costs the Executing Transmission Owner is allowed by the FERC to charge loads that reduce or eliminate their purchases of power from the Executing Transmission Owner or that reduce or eliminate their contributions to paying for any portion of the Electric System of the Executing Transmission Owner.

“Transfer Charges” means those charges to be paid to or received from other entities in connection with the suspension of Pre-Existing Transmission Agreements, as well as those amounts payable for representative amounts of pre-RTO West short-term firm and nonfirm transmission services paid by each Electric Utility listed in Exhibit H, as such amounts are set forth in Exhibit H.

“Transmission Agreements” mean any agreements between the Executing Transmission Owner and any party other than RTO West that call for the Executing Transmission Owner to provide or to receive transmission services using any portion of the RTO West Transmission System.

“Transmission Facilities” means those transmission facilities identified in Exhibit B to this Agreement. The Transmission Facilities shall include at least all of the Executing Transmission Owner's transmission facilities that meet the definition of RTO West Controlled Transmission Facilities. The Transmission Facilities shall not include generation-integration transmission facilities.

“Transmission Facility Cost Sharing Payments” means such payments as are specified in the RTO West Tariff, in response to requests by entities constructing and/or operating Transmission Facilities, that will benefit the Company Loads served by one or more Participating

Transmission Owners other than the entity constructing and/or operating such Transmission Facilities, with such payments intended by RTO West to equitably allocate the costs related to such Transmission Facilities among the Company Loads benefiting from the facilities.

“Transmission Operating Agreement” means this Agreement, including all exhibits hereto, and any agreement or combination of agreements creating rights and obligations for a Transmission Owner similar to the rights and obligations created by this Agreement, including all exhibits hereto. Any such agreement, including exhibits thereto, shall be considered a Transmission Operating Agreement, even if the rights and obligations created therein differ in material respects from those of this Agreement, including all exhibits hereto.

“Transmission Service Commencement Date” means the date that RTO West commences its provision of Transmission Services and Operational Control over the RTO West Transmission System, pursuant to the notice specified in Section 5.3.

“Transmission Services” means all those transmission services, as set out in the RTO West Tariff, which shall include all transmission services that the Executing Transmission Owner otherwise would be required by the FERC to provide. As used in this Agreement, the term "Transmission Services" shall not include "Ancillary Services."

"Transmission System Emergency" means an urgent event or condition affecting the RTO West Transmission System that, in the determination of RTO West, has resulted in or creates an impending threat of one or more of the following:

(a) serious injury to human health or safety (provided, however, that interruption of transmission service to any load that RTO West or any other party has a firm obligation to serve

shall not in itself necessarily be deemed to create a serious and impending threat of injury to human health or safety); or

(b) serious physical damage to elements of the RTO West Transmission System or any Electric System interconnected with the RTO West Transmission System; or

(c) unintended interruption(s) of transmission service across one or more major transfer paths: (i) within the RTO West Transmission System or (ii) within any other transmission system that is directly or indirectly interconnected with the RTO West Transmission System; or

(d) deviation(s) in frequency or voltage that, if uncorrected, will lead to the loss (by operation of protective relay equipment) of critical elements of the RTO West Transmission System or of any other transmission system that is directly or indirectly interconnected with the RTO West Transmission System.

“Uncontrollable Force” means any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, earthquake, explosion, accident to or breakage, failure or malfunction of machinery or equipment, any curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities (other than (1) RTO West or (2) the Executing Transmission Owner, if the Executing Transmission Owner is a federal power marketing administration, municipal corporation or other federal, tribal or state governmental entity or subdivision thereof), or any other cause beyond a Party’s reasonable control and to the extent without such Party’s fault or negligence. Economic hardship shall not constitute an Uncontrollable Force under this Agreement.

"Voltage Support Service" means Ancillary Service needed to maintain acceptable voltage levels on the RTO West Transmission System and to meet reactive capacity requirements at points of interconnection on the RTO West Transmission System.

"WRTA" means the Western Regional Transmission Association or its successor organization.

"WSCC" means the Western System Coordinating Council or its successor.

EXHIBIT B

TRANSMISSION FACILITIES

EXHIBIT C

PRE-EXISTING TRANSMISSION AGREEMENTS

EXHIBIT D

RTO WEST CONTROLLED TRANSMISSION FACILITIES

EXHIBIT E

RTO WEST CRITICAL CONTROL FACILITIES

EXHIBIT F

FIRM TRANSMISSION RIGHTS

**[Note: The description of Firm Transmission Rights shall be as described in the applicable
Congestion Management White Paper.]**

EXHIBIT G

COMPANY RATES

The Company Rate to be included in RTO West's charges to the Executing Transmission

Owner's Company Loads shall be calculated pursuant to the following formula:

Company Rate = (Company Costs +/- Transfer Charges +/- Transmission Facility Cost Sharing Payments - Excess FTR Revenue Allocation) / (Company Billing Determinants);

provided that Excess FTR Revenue Allocation shall mean an allocation of the revenue from the sale of Firm Transmission Rights allocated to the Executing Transmission Owner to replace ownership and contract rights to firm transmission capability for which there are no firm rights pursuant to Section 15.1. The revenues from the sale of such Firm Transmission Rights initially shall be credited pro rata to each Participating Transmission Owner holding the applicable Firm Transmission Rights, in proportion to the amount that the Transmission Facilities of such Participating Transmission Owner contributes to the subject Flowpath. Each Participating Transmission Owner's (the "Receiving Transmission Owner") allocated revenues then will be applied in the following manner:

- (1) First, to RTO West to offset any allocation made to the RTO West uplift charge pursuant to Section 14.3 to compensate the Receiving Transmission Owner for its Lost Revenue Recovery Amount.
- (2) Next, pro rata to:
 - (a) Return or offset to the amounts paid to the Receiving Transmission Owner by other Participating Transmission Owners as Transfer Charges listed in Exhibit H under the heading

“Short-Term Firm and Nonfirm Wheeling Revenues,” with a corresponding adjustment to the Company Rate of the Participating Transmission Owner receiving such offset; and

(b) Compensate the Receiving Transmission Owner for any loss of Transfer Charge revenues listed in Exhibit H under the heading “Long-Term Wheeling Revenues,” with a corresponding adjustment to the Receiving Transmission Owner's Company Rate.

(3) Then to the Receiving Transmission Owner, with a corresponding reduction to the Receiving Transmission Owner's Company Rate.

The revenues from the sale of recallable rights, nonfirm rights or otherwise, will be applied in the following manner:

(1) First, to RTO West to offset any allocation made to the RTO West uplift charge pursuant to section 14.3 to compensate the Receiving Transmission Owner for its Lost Revenue Recovery Amount.

(2) Next, pro rata to:

(a) Return or offset to the amounts paid to the Receiving Transmission Owner by other Participating Transmission Owners as Transfer Charges listed in Exhibit H under the heading “Short-Term Firm and Nonfirm Wheeling Revenues,” with a corresponding adjustment to the Company Rate of the Participating Transmission Owner receiving such offset; and

(b) Compensate the Receiving Transmission Owner for any loss of Transfer Charge revenues listed in Exhibit H under the heading “Long-Term Wheeling Revenues” with a corresponding adjustment to the Receiving Transmission Owner's Company Rate.

(3) Then to RTO West, to be applied against its costs of operations.

(4) Then to all Participating Transmission Owners, to be applied as a uniform reduction to all Company Rates.

RTO West, through the RTO West Tariff, shall determine whether the various Transfer Charges and Excess FTR Revenue Allocations shall be applied to Company Rates on a current, on an estimated and adjusted or on a lagged basis. Any deferred payment of Transfer Charge and Excess FTR Revenue Allocations shall include application of all earnings thereon.

EXHIBIT H

ANNUAL TRANSFER CHARGE AMOUNTS

The Executing Transmission Owner agrees that for purposes of calculating Company Rates, the Transfer Charges set forth herein and applicable to the Executing Transmission Owner shall be applied by RTO West as billing agent during the Company Rate Period.

Electric Utility -- Bonneville Power Administration

A. Transfer Charges payable to:

(1) Utility A

(a) Long-Term Wheeling Revenues

(list agreement, duration and amount)

(b) Short-Term Firm and Nonfirm Revenues

(list amount) **[Note: Amounts listed will include the total of all such Short-**

Term Firm and Nonfirm wheeling received revenues from the Electric Utilities and from its affiliates.]

(2) Utility B, etc.

B. The Bonneville Power Administration does/does not elect for the Transfer Charge adjustment provisions of this Exhibit H to apply to all Transfer Charges set forth above (other than those Transfer Charges identified above as nonadjustable under applicable Pre-Existing Transmission Agreements).

C. Lost Revenue Recovery Amount:

(list amount)

[Repeat the same listings for every potential Participating Transmission Owner with Transfer Charge rights or obligations, including Canadian entities and Electric Utilities served under Company Rates of Participating Transmission Owners.]

[Note: In Section 16 of BPA's form of this Agreement, all amounts due to any Participating Transmission Owner by an Electric Utility listed in Exhibit H, if such Electric Utility fails to become a Participating Transmission Owner (either directly or through an independent grid operator), shall be collected as an additional Access Charge for use of BPA's Transmission Facilities and shall be paid to BPA. The Agreement to Suspend Provisions of Pre-Existing Transmission Agreements shall provide, in turn, that the amount of any such Transfer Charges owed to a Participating Transmission Owner other than BPA shall be paid to such other Participating Transmission Owner by BPA.]

Transfer Charge adjustment: If a Participating Transmission Owner has elected not to apply the Transfer Charge adjustment, its Transfer Charge entitlements as shown above throughout the Company Rate Period shall be the amounts as stated in this Exhibit H. If a Participating Transmission Owner has elected to apply the Transfer Charge adjustment, upon any filing of a Company Cost change (subsequent to the initial Company Cost filing), RTO West shall determine the increase or decrease in such Participating Transmission Owner's unit transmission costs, based on such Participating Transmission Owner's actual transmission costs during a historical period and pursuant to a formula to be determined by RTO West and to be specified in an amendment to the RTO West Tariff. Such unit cost percentage increase or decrease shall be applied to adjust all Transfer Charges specified in this Exhibit H as owed to such Participating

Transmission Owner, other than those Transfer Charges identified above as non-adjustable under applicable Pre-Existing Transmission Agreements.

EXHIBIT I

**FORM OF AGREEMENT TO SUSPEND PROVISIONS OF PRE-EXISTING
TRANSMISSION AGREEMENTS**

EXHIBIT J

FORM OF PAYING AGENT AGREEMENT

EXHIBIT K

FORM OF AGREEMENT LIMITING LIABILITY AMONG RTO WEST PARTICIPANTS